KELLOGG CO
Form DEF 14A
March 11, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

KELLOGG COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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KELLOGG COMPANY, BATTLE CREEK, MICHIGAN 49017-3534

Dear Shareowner:

It is my pleasure to invite you to attend the 2013 Annual Meeting of Shareowners of Kellogg Company. The meeting will be held at 1:00 p.m. Eastern Time on April 26, 2013 at the W. K. Kellogg Auditorium, 50 West Van Buren Street, Battle Creek, Michigan.

The following pages contain the formal Notice of the Annual Meeting and the Proxy Statement. Please review this material for information concerning the business to be conducted at the meeting and the nominees for election as Directors.

We are pleased to take advantage of the Securities and Exchange Commission rules that allow companies to furnish proxy materials to their shareowners on the Internet. We believe these rules allow us to provide our Shareowners with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

Attendance at the Annual Meeting will be limited to Shareowners only. If you are a holder of record of Kellogg common stock and you plan to attend the meeting, please save your notice of electronic availability or proxy card, as the case may be, and bring it to the meeting to use as your admission ticket. If you plan to attend the meeting, but your shares are not registered in your own name, please request an admission ticket by writing to the following address: Kellogg Company Shareowner Services, One Kellogg Square, Battle Creek, MI 49017-3534. Evidence of your stock ownership, which you may obtain from your bank, stockbroker, etc., must accompany your letter. **Shareowners without tickets will only be admitted to the meeting upon verification of stock ownership.**

If any Shareowner needs special assistance at the meeting, please contact Shareowner Services at the address listed above.

Your vote is important. Whether or not you plan to attend the meeting, I urge you to vote your shares as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy or voting instruction card by mail, you may sign, date and mail the card in the envelope provided.

Sincerely,

John Bryant

President and Chief Executive Officer

March 11, 2013

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KELLOGG COMPANY

One Kellogg Square

Battle Creek, Michigan 49017-3534

NOTICE OF THE ANNUAL MEETING OF SHAREOWNERS

TO BE HELD APRIL 26, 2013

TO OUR SHAREOWNERS:

The 2013 Annual Meeting of Shareowners of Kellogg Company, a Delaware corporation, will be held at 1:00 p.m. Eastern Time on April 26, 2013 at the W. K. Kellogg Auditorium, 50 West Van Buren Street, Battle Creek, Michigan, for the following purposes:

1. To elect four Directors for a three-year term to expire at the 2016 Annual Meeting of Shareowners;
2. To vote on an advisory resolution to approve executive compensation;
3. To approve the Kellogg Company 2013 Long-Term Incentive Plan;
4. To ratify the Audit Committee s appointment of PricewaterhouseCoopers LLP for our 2013 fiscal year;
5. To consider and act upon a Shareowner proposal to repeal classified board, if properly presented at the meeting; and
6. To take action upon any other matters that may properly come before the meeting, or any adjournments thereof.

Only Shareowners of record at the close of business on March 1, 2013 will receive notice of and be entitled to vote at the meeting or any adjournments. We look forward to seeing you there.

By Order of the Board of Directors,

Gary Pilnick

Senior Vice President,

General Counsel, Corporate Development and Secretary

March 11, 2013

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PROXY STATEMENT

FOR THE ANNUAL MEETING OF SHAREOWNERS

TO BE HELD ON FRIDAY, APRIL 26, 2013

ABOUT THE MEETING

Information About this Proxy Statement.

Why You Received this Proxy Statement. You have received these proxy materials because our Board of Directors, which we refer to as the Board, is soliciting your proxy to vote your shares at the 2013 Annual Meeting of Shareowners of Kellogg to be held at 1:00 p.m. Eastern Time at the W. K. Kellogg Auditorium, 50 West Van Buren Street, in Battle Creek, Michigan, on Friday, April 26, 2013, or any adjournments thereof. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission and that is designed to assist you in voting your shares. On March 12, 2013, we began to mail to our Shareowners of record as of the close of business on March 1, 2013, either a notice containing instructions on how to access this proxy statement and our annual report online or a printed copy of these proxy materials. If you own our common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one notice or set of these proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting our transfer agent, Wells Fargo Shareowner Services, at P.O. Box 64854, St. Paul, MN 55164-0854; phone number: (877) 910-5385.

Notice of Electronic Availability of Proxy Statement and Annual Report. As permitted by Securities and Exchange Commission rules, we are making this proxy statement and our annual report available to our Shareowners electronically via the Internet. The notice of electronic availability contains instructions on how to access this proxy statement and our annual report and vote online. If you received a notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report. The notice also instructs you on how you may submit your proxy over the Internet or by telephone. If you received a notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials contained on the notice.

Summary Processing. The Securities and Exchange Commission s rules permit us to print an individual s multiple accounts on a single notice or set of annual meeting materials. This printing method is referred to as summary processing and may result in cost savings. To take advantage of this opportunity, we have summarized on one notice or set of annual meeting materials all of the accounts registered with the same tax identification number or duplicate name and address, unless we received contrary instructions from the impacted Shareowner prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the notice or annual meeting materials, as requested, to any Shareowner to which a single copy of those documents was delivered. If you prefer to receive separate copies of the notice or annual meeting materials, contact Broadridge Financial Solutions, Inc. at (800) 542-1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a Shareowner sharing an address with another Shareowner and wish to receive only one copy of future notices or annual meeting materials for your household, please contact Broadridge at the above phone number or address.

Who Can Vote Record Date. The record date for determining Shareowners entitled to vote at the annual meeting is March 1, 2013. Each of the approximately 364,242,363 shares of Kellogg common stock issued and outstanding on that date is entitled to one vote at the annual meeting.

How to Vote Proxy Instructions. If you received a notice of electronic availability, you can not vote your shares by filling out and returning the notice. The notice, however, provides instructions on how to vote by Internet, by telephone or by requesting and returning a paper proxy card or voting instruction card.

If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the shareowner of record. As the shareowner of record, you have the right to vote in person at the meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in street name. As the beneficial owner, you are also invited to attend the meeting. Since a beneficial owner is not the shareowner of record, you may not vote these shares in person at the meeting unless you obtain a legal proxy from your broker, nominee or trustee that holds your shares, giving you the right to vote the shares at the meeting.

Whether you hold shares directly as a registered shareowner of record or beneficially in street name, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held beneficially in street name, by submitting voting instructions to your broker, nominee or trustee. In most cases, you will be able to do this by telephone, by using the Internet or by mail if you received a printed set of the proxy materials.

By Telephone or Internet If you have telephone or Internet access, you may submit your proxy by following the instructions provided in the notice of electronic availability, or if you received a printed version of the proxy materials by mail, by following the instructions provided with your proxy materials and on your proxy card or voting instruction card. The telephone and Internet voting procedures have been set up for your convenience and have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. The deadline for voting by telephone or via the Internet is 11:59 p.m. Eastern Time on Thursday, April 25, 2013.

By Mail If you received printed proxy materials, you may submit your proxy by mail by signing your proxy card if your shares are registered or, for shares held beneficially in street name, by following the voting instructions included by your broker, nominee or trustee, and mailing it in the enclosed envelope.

If you wish to vote using the proxy card, complete, sign, and date your proxy card and return it to us before the meeting.

Whether you vote by telephone, over the Internet or by mail, you may specify whether your shares should be voted for all, some or none of the nominees for Director (Proposal 1); whether you approve, disapprove, or abstain from voting on the advisory resolution to approve Kellogg s executive compensation (Proposal 2); whether you approve, disapprove, or abstain from voting on the Kellogg Company 2013 Long-Term Incentive Plan (Proposal 3); whether you approve, disapprove or abstain from voting on the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal year 2013 (Proposal 4); and whether you approve, disapprove or abstain from voting on the Shareowner proposal, if properly presented at the meeting (Proposal 5).

When a properly executed proxy is received, the shares represented thereby, including shares held under our Dividend Reinvestment Plan, will be voted by the persons named as the proxy according to each Shareowner s directions. Proxies will also be considered to be voting instructions to the applicable Trustee with respect to shares held in accounts under our Savings & Investment Plans and other applicable employee benefit plans.

If the proxy is properly executed but you do not specify how you want to vote your shares on your proxy card or voting instruction card, or voting by telephone or over the Internet, we will vote them For the election of all nominees for Director as set forth under Proposal 1 Election of Directors below, For Proposals 2 through 4, and Against Proposal 5, and otherwise at the discretion of the persons named in the proxy card.

Revocation of Proxies. If you are a shareowner of record, you may revoke your proxy at any time before it is exercised in any of three ways:

- by submitting written notice of revocation to our Secretary;
- by submitting another proxy by telephone, via the Internet or by mail that is later dated and, if by mail, that is properly signed; or
- by voting in person at the meeting.

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If your shares are held in street name, you must contact your broker, nominee or trustee to revoke and vote your proxy.

Quorum. A quorum of Shareowners is necessary to hold a valid meeting. A quorum will exist if the holders representing a majority of the votes entitled to be cast by the Shareowners at the annual meeting are present, in person or by proxy. Broker non-votes and abstentions are counted as present at the Annual Meeting for purposes of determining whether a quorum exists. A broker non-vote occurs when a nominee, such as a bank or broker, holding shares for a beneficial owner, does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under current New York Stock Exchange rules, nominees would have discretionary voting power for ratification of PricewaterhouseCoopers LLP (Proposal 4), but not for voting on the election of Directors (Proposal 1), the advisory resolution to approve Kellogg s executive compensation (Proposal 2), approval of the Kellogg Company 2013 Long-Term Incentive Plan (Proposal 3) or the Shareowner proposal (Proposal 5).

Required Vote. Our Board has adopted a majority voting policy which applies to the election of Directors. Under this policy, any nominee for Director who receives a greater number of votes withheld from his or her election than votes for such election is required to offer his or her resignation following certification of the Shareowner vote. Our Board s Nominating and Governance Committee would then consider the offer of resignation and make a recommendation to our independent Directors as to the action to be taken with respect to the offer. This policy does not apply in contested elections. For more information about this policy, see Corporate Governance Majority Voting for Directors; Director Resignation Policy.

Under Delaware law, a nominee who receives a plurality of the votes cast at the Annual Meeting will be elected as a Director (subject to the resignation policy described above). The plurality standard means the nominees who receive the largest number of for votes cast are elected as Directors. Thus, the number of shares not voted for the election of a nominee (and the number of withhold votes cast with respect to that nominee) will not affect the determination of whether that nominee has received the necessary votes for election under Delaware law. However, the number of withhold votes with respect to a nominee will affect whether or not our Director resignation policy will apply to that individual. If any nominee is unable or declines to serve, proxies will be voted for the balance of those named and for such person as shall be designated by the Board to replace any such nominee. However, the Board does not anticipate that this will occur.

The affirmative vote of the holders representing a majority of the shares present and entitled to vote at the annual meeting is necessary to approve the advisory resolution on Kellogg s executive compensation (Proposal 2), to approve the Kellogg Company 2013 Long Term Incentive Plan (Proposal 3), to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for fiscal 2013 (Proposal 4), and to approve the Shareowner proposal (Proposal 5).

Shares present but not voted because of abstention will have the effect of a no vote on Proposals 2 through 5. If you do not provide your broker or other nominee with instructions on how to vote your street name shares, your broker or nominee will not be permitted to vote them on non-routine matters (a broker non-vote) such as Proposals 1, 2, 3, and 5. Shares subject to a broker non-vote will not be considered entitled to vote with respect to Proposals 1, 2, 3, and 5, and will not affect the outcome on that proposal. **Please note that brokers may no longer vote your shares on the election of directors in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your broker regarding the voting of your shares.**

Other Business. We do not intend to bring any business before the meeting other than that set forth in the Notice of the Annual Meeting and described in this proxy statement. However, if any other business should properly come before the meeting, the persons named in the proxy card intend to vote in accordance with their best judgment on such business and on any matters dealing with the conduct of the meeting pursuant to the discretionary authority granted in the proxy.

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Costs. We pay for the preparation and mailing of the Notice of the Annual Meeting and proxy statement. We have also made arrangements with brokerage firms and other custodians, nominees, and fiduciaries for forwarding proxy-soliciting materials to the beneficial owners of the Kellogg common stock at our expense. In addition, we have retained D.F. King & Co., Inc. to aid in the solicitation of proxies by mail, telephone, facsimile, e-mail and personal solicitation. For these services, we will pay D.F. King & Co., Inc. a fee of $14,000, plus reasonable expenses.

Directions to Annual Meeting. To obtain directions to attend the annual meeting and vote in person, please contact Investor Relations at (269) 961-2800 or at investor.relations@kellogg.com.

SECURITY OWNERSHIP

Five Percent Holders. The following table shows each person who, based upon their most recent filings or correspondence with the SEC, beneficially owns more than 5% of our common stock.

Name Beneficial Owner	Shares Beneficially Owned	Percent of Class	As of
W.K. Kellogg Foundation Trust(1) c/o The Bank of New York Corporation One Wall Street New York, NY 10286	79,030,995(2)	21.9%	December 29, 2012
KeyCorp 127 Public Square Cleveland, OH 44114-1306	27,114,878(3)	7.6%	December 29, 2012
Gordon Gund 14 Nassau Street Princeton, NJ 08542-4523	27,101,187(4)	7.5%	March 6, 2013

(1) The trustees of the W. K. Kellogg Foundation Trust (the Kellogg Trust) are Jim Jenness, Sterling Speirn, Wenda Moore and The Bank of New York Mellon Trust Company, N.A. The W. K. Kellogg Foundation, a Michigan charitable corporation (the Kellogg Foundation), is the sole beneficiary of the Kellogg Trust. The Kellogg Trust owns 75,439,290 shares of Kellogg Company, or 20.9% of our outstanding shares on December 31, 2012. Under the agreement governing the Kellogg Trust (the Agreement), at least one trustee of the Kellogg Trust must be a member of the Kellogg Foundation s Board, and one member of our Board must be a trustee of the Kellogg Trust. The Agreement provides if a majority of the trustees of the Kellogg Trust (which majority must include the corporate trustee) cannot agree on how to vote the Kellogg stock, the Kellogg Foundation has the power to direct the voting of such stock. With certain limitations, the Agreement also provides that the Kellogg Foundation has the power to approve successor trustees, and to remove any trustee of the Kellogg Trust.

(2) According to Schedule 13G/A filed with the SEC on February 12, 2013, The Bank of New York Mellon Corporation (BONYMC), as parent holding company for The Bank of New York Mellon Trust Company, N.A., (BONY), as trustee of the Kellogg Trust, shares voting and investment power with the other three trustees with respect to the 75,439,290 shares owned by the Kellogg Trust. The remaining shares not owned by the Kellogg Trust that are disclosed in the table above represent shares beneficially owned by BONYMC, BONY and the other trustees unrelated to the Kellogg Trust. BONYMC has sole voting power for 2,543,709 shares, shared voting power for 75,478,938 shares (including those shares beneficially owned by the Kellogg Trust), sole investment power for 3,412,997 shares and shared investment power for 75,535,776 shares (including those shares beneficially owned by the Kellogg Trust).

(3) According to a Schedule 13G/A filed with the SEC on February 14, 2013, KeyCorp, as trustee for certain Gund family trusts, including the trusts discussed under (4) below, as well as other trusts, has sole voting power for 100,513 shares, shared voting power for 6,928 shares, sole investment power for 27,068,244 shares and shared investment power for 41,394 shares.

(4) According to Schedule 13G filed with the SEC on March 6, 2013, Gordon Gund, as a result of the death of his brother, George Gund III, has sole voting power for 27,080,980 shares, shared voting power for 20,207 shares, sole investment power for 30,445 shares and shared investment power for 20,207 shares. Of the shares over which Gordon Gund has sole voting power, 27,007,437 are held by various trusts

for the benefit of certain members of the Gund family, as to which shares Gordon Gund disclaims beneficial ownership.

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Officer and Director Stock Ownership. The following table shows the number of shares of Kellogg common stock beneficially owned as of January 15, 2013, by each Director, each executive officer named in the Summary Compensation Table and all Directors and executive officers as a group.

Name	Shares(1)	Options(2)	Deferred Stock Units(3)	Total Beneficial Ownership(4)	Percentage
Non-NEO Directors					
Benjamin Carson Sr.	37,082	25,000	0	62,082	*
John Dillon(5)	56,031	25,000	0	81,031	*
Gordon Gund(6)	27,076,187	28,033	69,694	27,173,914	7.5%
Jim Jenness(7)	140,403	431,410	13,175	584,988	*
Dorothy Johnson	55,768	25,000	30,601	111,369	*
Donald Knauss	15,360	6,931	0	22,291	*
Mary Laschinger	1,409		441	1,850	*
Ann McLaughlin Korologos	47,416	25,000	20,138	92,554	*
Rogelio Rebolledo	13,201	2,534	0	15,735	*
Sterling Speirn(7)	17,218	5,781	0	22,999	*
John Zabriskie	46,958	25,000	35,747	107,705	*
Named Executive Officers					
John Bryant	156,156	1,178,301	828	1,335,285	*
Ron Dissinger	27,660	214,233	0	241,893	*
Brad Davidson	64,985	346,632	0	411,617	*
Paul Norman	60,401	309,866	0	370,267	*
Gary Pilnick	73,426	345,699	0	419,125	*
All Directors and executive officers as a group (19 persons)(8)	27,909,947	3,103,892	170,624	31,184,463	8.6%

* Less than 1%.

(1) Represents the number of shares beneficially owned, excluding shares which may be acquired through exercise of stock options and units held under our deferred compensation plans. Includes the following number of shares held in Kellogg s Grantor Trust for Non-Employee Directors which are subject to restrictions on investment: Dr. Carson, 35,217 shares; Mr. Dillon, 32,271 shares; Mr. Gund, 43,098 shares; Mr. Jenness, 11,197 shares; Ms. Johnson, 34,069 shares; Mr. Knauss, 15,360 shares; Ms. Laschinger, 1,409 shares; Ms. McLaughlin Korologos, 42,823 shares; Mr. Rebolledo, 13,201 shares; Mr. Speirn, 17,218 shares; Dr. Zabriskie, 39,398 shares; and all Directors as a group, 285,262 shares.

(2) Represents options that were exercisable on January 15, 2013 and options that become exercisable within 60 days of January 15, 2013.

(3) Represents the number of common stock units held under our deferred compensation plans as of January 15, 2013. The deferred stock units, or DSUs, have no voting rights. For additional information, refer to 2012 Director Compensation and Benefits Elective Deferral Program and Compensation Discussion and Analysis Executive Compensation Policies Deductibility of Compensation and Other Related Issues for a description of these plans.

(4) None of the shares listed have been pledged as collateral.

(5) Includes 250 shares held for the benefit of a son, over which Mr. Dillon disclaims beneficial ownership.

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(6) Includes (i) 27,007,437 shares held by various trusts for the benefit of certain members of the Gund family, over which shares Mr. Gund has sole voting power and (ii) 10,000 shares owned by Mr. Gund s wife. Gordon Gund disclaims beneficial ownership of the shares beneficially owned by the Gund family trusts and his wife.

(7) Does not include shares owned by the Kellogg Trust, as to which Mr. Jenness and Mr. Speirn, as trustees of the Kellogg Trust as of the date of this table, share voting and investment power, or shares as to which the Kellogg Trust or the Kellogg Foundation have current beneficial interest.

(8) Includes 10,000 shares owned by, or held for the benefit of, spouses; 250 shares owned by, or held for the benefit of children, over which the applicable Director, or executive officer disclaims beneficial ownership; 8,279 shares held in our Savings & Investment Plans; and 24,357 restricted shares, which contain some restrictions on investment.

Section 16(a) Beneficial Ownership Reporting Compliance. Section 16(a) of the Securities Exchange Act of 1934 requires our Directors, executive officers, and greater-than-10% Shareowners to file reports with the SEC. SEC regulations require us to identify anyone who filed a required report late during the most recent fiscal year. Based on our review of these reports and written certifications provided to us, we believe that the filing requirements for all of these reporting persons were complied with, except that one Form 5 for Gordon Gund was amended by Kellogg. An amended Form 5 was filed in March 2013 reporting the gift of 100 shares by Mr. Gund in May 2011.

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CORPORATE GOVERNANCE

Board-Adopted Corporate Governance Guidelines. We operate under corporate governance principles and practices (the Guidelines) that are designed to maximize long-term Shareowner value, align the interests of the Board and management with those of our Shareowners and promote high ethical conduct among our Directors and employees. The Board has focused on continuing to build upon our strong corporate governance practices over the years. The Guidelines include the following:

A majority of the Directors, and all of the members of the Audit, Compensation, and Nominating and Governance Committees, are required to meet the independence requirements of the New York Stock Exchange.

One of the Directors is designated a Lead Director, who chairs and may call executive session meetings of independent, non-employee Directors, approves proposed meeting agendas and schedules, and establishes a method for Shareowners and other interested parties to use in communicating with the Board.

The Board reviews CEO succession planning at least once per year.

The Board and each Board committee have the power to hire independent legal, financial or other advisors as they may deem necessary, at our expense.

Non-employee Directors meet in executive session at least three times annually.

The Board and Board committees conduct annual self-evaluations.

The independent members of the Board use the recommendations from the Nominating and Governance Committee and Compensation Committee to conduct an annual review of the CEO s performance and determine the CEO s compensation.

Non-employee Directors who change their principal responsibility or occupation from that held when they were elected shall offer his or her resignation for the Board to consider continued appropriateness of Board membership under the circumstances.

Directors have access to Kellogg officers and employees.

Continuing education is provided to Directors consistent with our Board education policy.

No Director may be nominated for a new term if he or she would be seventy-two or older at the time of election; unless the Board determines that it is in the best interest of Kellogg to re-nominate the independent Director for up to one additional term due to his or her unique capabilities or special circumstances.

No Director shall serve as a director, officer or employee of a competitor.

No Director should serve on more than four other boards of public companies in addition to Kellogg.

All Directors are expected to comply with stock ownership guidelines for Directors, under which they are generally expected to hold at least five times their annual cash retainer in stock and stock equivalents.

Board Leadership Structure; Communication with the Board. The following section describes Kellogg s Board leadership structure, the reasons why the structure is in place at this time, the roles of various positions, and related key governance practices.

Our Board is composed of eleven independent Directors, Mr. Jenness, the executive Chairman of the Board, and Mr. Bryant, Chief Executive Officer. In addition, as provided in our Guidelines, the Board has designated one of the independent directors as Lead Director. The Board has established seven standing Committees audit, compensation, nominating and governance, consumer and shopper marketing, manufacturing, social

responsibility and public policy, and executive. Each Board Committee is composed solely of independent Directors (other than the Executive Committee), each with a different independent Director serving as Committee chair. We believe that the mix of experienced independent and management Directors that make up our Board, along with the independent role of our Lead Director and our independent Board Committees, benefits Kellogg and its Shareowners.

The Board believes that it is beneficial to Kellogg and its Shareowners to designate one of the Directors as a Lead Director. The Lead Director serves a variety of roles including, reviewing and approving Board agendas, meeting materials and schedules to confirm the appropriate topics are reviewed and sufficient time is allocated to each; serving as liaison between the Chairman of the Board, Chief Executive Officer and the non-management Directors (however, each director has direct access to both the CEO and Chairman); presiding at the executive sessions of independent Directors and at all other meetings of the Board of Directors at which the Chairman of the Board is not present; and calling an executive session of independent Directors at any time, consistent with the Guidelines. Gordon Gund, an independent Director and the Chairman of the Nominating and Governance Committee, is currently our Lead Director. Mr. Gund is an effective Lead Director for Kellogg due to, among other things, his independence, commitment to ethics, communication skills, deep strategic and operational understanding of Kellogg obtained while serving as a Kellogg Director, and corporate governance knowledge acquired during his tenure as a member of the governance committees of two Fortune 500 companies and as a director of Corning Incorporated. Mr. Gund may be contacted at gordon.gund@kellogg.com. Any communications which Shareowners or interested parties may wish to send to the Board may be directly sent to Mr. Gund at this e-mail address.

With respect to the roles of Chairman and CEO, the Guidelines provide that the roles may be separated or combined, and the Board exercises its discretion in combining or separating these positions as it deems appropriate in light of prevailing circumstances. Since 2006, the roles have been separated, with Mr. Jenness serving as Chairman. Mr. Jenness has been closely involved with Kellogg for over thirty years in various roles including Chief Executive Officer and Director. Previously, Mr. Jenness was Chief Executive Officer of Integrated Merchandising Systems LLC, a market leader in outsource management for retail promotion and branded merchandising. He also served in various positions of increasing responsibility at Leo Burnett Company, Kellogg s major advertising agency partner, for many years, including as Vice Chairman, Chief Operating Officer and Director. Mr. Jenness generously volunteers as senior director of Children s Memorial Hospital of Chicago and on the Mercy Home for Boys and Girls Board of Regents and its Strategic Planning Committee. He serves as lead director of Kimberly-Clark Corporation. He also serves on the DePaul University College of Commerce Advisory Council, as Chairman of DePaul s Board of Trustees, and is co-trustee of the W.K. Kellogg Foundation Trust. Given his unique knowledge, experience, and relationship with both the Board and management, his continued role as executive Chairman provides significant value for Kellogg and its Shareowners.

Our Board conducts an annual evaluation to determine whether it and its Committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be appropriate for Kellogg and its Shareowners. Our Guidelines provide the flexibility for our Board to modify our leadership structure in the future as appropriate. We believe that Kellogg, like many U.S. companies, has been well-served by this flexible leadership structure.

Board Oversight of Enterprise Risk. The Board utilizes our Enterprise Risk Management (ERM) process to assist in fulfilling its oversight of our risks. Management, who is responsible for day-to-day risk management, conducts a formal risk assessment of Kellogg s business annually. The risk assessment process is global in nature and has been developed to identify and assess Kellogg s current and emerging risks, including the nature of the risk, as well as to identify steps to mitigate and manage the controllable aspects of each risk. Several hundred of our key business leaders, functional heads and other managers are surveyed and/or interviewed to develop this information.

While risk oversight is a full Board responsibility, the responsibility for monitoring the ERM process has been delegated to the Audit Committee. As such, one of the leaders of the ERM process is the Vice President,

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Internal Audit and Compliance, who reports directly to the Chair of the Audit Committee. The Audit Committee receives at each meeting (or the full Board for those meetings when the Audit Committee does not meet) an update on the key enterprise risks, including current status and action items.

The results of the risk assessment are reviewed with the Audit Committee and the full Board. The centerpiece of the assessment is the discussion of key risks which includes the potential magnitude and likelihood of each risk. As part of the process for each risk, management identifies the nature of the risk, the senior executive responsible for managing the risk, the potential impact, management s initiatives to manage the risk, the most recent Board or Committee update, and the timing of the next scheduled Board or Committee review.

The results of the risk assessment are then integrated into the Board s processes. Oversight responsibility for each risk is allocated among the full Board and its Committees, and specific Board and Committee agendas are developed accordingly. Each Committee chair works directly with Kellogg s key senior executive responsible for the matters allocated to the Committee to develop agenda topics, review materials to be discussed with the Committee, and otherwise discuss those topics relating to the particular Committee. Through this process each key risk is reviewed at least annually, with many topics reviewed on several occasions throughout the year.

Due to the dynamic nature of risk and the Board or Audit Committee s oversight at each meeting of Kellogg s enterprise and business unit risks, adjustments are made to Board and Committee agendas throughout the year so that enterprise risks are reviewed at the relevant times. This process facilitates the Board s ability to fulfill its oversight responsibilities of Kellogg s risks.

Majority Voting for Directors; Director Resignation Policy. In an uncontested election of Directors (that is, an election where the number of nominees is equal to the number of seats open) any nominee for Director who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation to the Nominating and Governance Committee (following certification of the Shareowner vote) for consideration in accordance with the following procedures.

The Nominating and Governance Committee would promptly consider such resignation and recommend to the Qualified Independent Directors (as defined below) the action to be taken with respect to such offered resignation, which may include (1) accepting the resignation; (2) maintaining the Director but addressing what the Qualified Independent Directors believe to be the underlying cause of the withheld votes; (3) determining that the Director will not be renominated in the future for election; or (4) rejecting the resignation. The Nominating and Governance Committee would consider all relevant factors including, without limitation, (a) the stated reasons why votes were withheld from such Director; (b) any alternatives for curing the underlying cause of the withheld votes; (c) the tenure and qualifications of the Director; (d) the Director s past and expected future contributions to Kellogg; (e) our Director criteria; (f) our Corporate Governance Guidelines; and (g) the overall composition of the Board, including whether accepting the resignation would cause Kellogg to fail to meet any applicable SEC or NYSE requirement.

The Qualified Independent Directors would act on the Nominating and Governance Committee s recommendation no later than 90 days following the date of the Shareowners meeting where the election occurred. In considering the Nominating and Governance Committee s recommendation, the Qualified Independent Directors would consider the factors considered by the Nominating and Governance Committee and such additional information and factors the Board believes to be relevant. Following the Qualified Independent Directors decision, Kellogg would promptly disclose in a current report on Form 8-K the decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached or, if applicable, the reasons for rejecting the tendered resignation).

To the extent that a resignation is accepted, the Nominating and Governance Committee would recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any Director who tenders his or her resignation pursuant to this provision would not participate in the Nominating and Governance Committee s recommendation or Qualified Independent Directors consideration regarding whether to accept the tendered resignation. Prior to voting, the Qualified Independent Directors would afford the Director an opportunity to provide any information or statement that he or she deems relevant. If a

majority of the members of the Nominating and Governance Committee received a greater number of votes withheld from their election than votes for their election at the same election, then the remaining Qualified Independent Directors who are on the Board who did not receive a greater number of votes withheld from their election than votes for their election (or who were not standing for election) would consider the matter directly or may appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations that would make the recommendation to the Board whether to accept or reject them.

For purposes of this policy, the term Qualified Independent Directors means:

All Directors who (1) are independent Directors (as defined in accordance with the NYSE Corporate Governance Rules) and (2) are not required to offer their resignation in accordance with this policy.

If there are fewer than three independent Directors then serving on the Board who are not required to offer their resignations in accordance with this policy, then the Qualified Independent Directors shall mean all of the independent Directors and each independent Director who is required to offer his or her resignation in accordance with this Policy shall recuse himself or herself from the deliberations and voting only with respect to his or her individual offer to resign.

Director Independence. The Board has determined that all current Directors (other than Mr. Jenness and Mr. Bryant) are independent based on the following standards: (a) no entity (other than a charitable entity) of which such a Director is an employee in any position or any immediate family member (as defined) is an executive officer, made payments to, or received payments from, Kellogg and its subsidiaries in any of the 2012, 2011 or 2010 fiscal years in excess of the greater of (1) $1,000,000 or (2) two percent of that entity s annual consolidated gross revenues; (b) no such Director, or any immediate family member employed as an executive officer of Kellogg or its subsidiaries, received in any twelve month period within the last three years more than $120,000 per year in direct compensation from Kellogg or its subsidiaries, other than Director and committee fees and pension or other forms of deferred compensation for prior service not contingent in any way on continued service; (c) Kellogg did not employ such Director in any position, or any immediate family member as an executive officer, during the past three years; (d) no such Director was a current partner or employee of a firm that is Kellogg s internal or external auditor (Auditor), no immediate family member of such Director was a current partner of the Auditor or an employee of the Auditor who personally worked on our audit, and no Director or immediate family member of such Director was during the past three years a partner or employee of the Auditor and personally worked on our audit within that time; (e) no such Director or immediate family member served as an executive officer of another company during the past three years at the same time as a current executive officer of Kellogg served on the compensation committee of such company; and (f) no other material relationship exists between any such Director and Kellogg or our subsidiaries.

The Board also considers from time to time commercial ordinary-course transactions as it assesses independence status, including transactions relating to purchasing supplies, selling product and marketing arrangements. The Board has concluded that these transactions did not impair Director independence for a variety of reasons including that the amounts in question were considerably under the thresholds set forth in our independence standards and the relationships were not deemed material.

Shareowner Recommendations for Director Nominees. The Nominating and Governance Committee will consider Shareowner nominations for membership on the Board. For the 2014 Annual Meeting of Shareowners, nominations may be submitted to the Office of the Secretary, Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49017, which will forward them to the Chairman of the Nominating and Governance Committee. Recommendations must be in writing and we must receive the recommendation not earlier than November 11, 2013 and not later than December 11, 2013. Recommendations must also include certain other requirements specified in our bylaws.

When filling a vacancy on the Board, the Nominating and Governance Committee identifies the desired skills and experience of a new Director and nominates individuals who it believes can strengthen the Board s

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capability and further diversify the collective experience represented by the then-current Directors. The Nominating and Governance Committee may, as it has done in the past, engage third parties to assist in the search and provide recommendations. Also, Directors are generally asked to recommend candidates for the position. The candidates would be evaluated based on the process outlined in the Corporate Governance Guidelines and the Nominating and Governance Committee charter, and the same process would be used for all candidates, including candidates recommended by Shareowners.

Attendance at Annual Meetings. All Directors properly nominated for election are expected to attend the Annual Meeting of Shareowners. All of our then incumbent Directors attended the 2012 Annual Meeting of Shareowners.

Code of Conduct/Ethics. We have adopted the Code of Conduct for Kellogg Company Directors and Global Code of Ethics for Kellogg Company employees (including the chief executive officer, chief financial officer, other named executive officers, and corporate controller). Any amendments to or waivers of the Global Code of Ethics applicable to our chief executive officer, chief financial officer or corporate controller will be posted on www.kelloggcompany.com. There were no amendments to or waivers of the Global Code of Ethics in 2012.

Availability of Corporate Governance Documents. Copies of the Corporate Governance Guidelines, the Charters of the Audit, Compensation, and Nominating and Governance Committees of the Board, the Code of Conduct for Kellogg Company Directors, and Global Code of Ethics for Kellogg Company employees can be found on the Kellogg Company website at www.kelloggcompany.com under Investor Relations , then Corporate Governance. Shareowners may also request a free copy of these documents from: Kellogg Company Consumer Affairs, P.O. Box CAMB, Battle Creek, Michigan 49016-1986 (phone: (800) 961-1413), the Investor Relations Department at that same address (phone: (269) 961-2800) or investor.relations@kellogg.com.

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BOARD AND COMMITTEE MEMBERSHIP

In 2012, the Board had the following standing committees: Audit, Compensation, Nominating and Governance, Consumer and Shopper Marketing, Manufacturing, Social Responsibility and Public Policy, and Executive.

The Board held 10 meetings in 2012. All of the incumbent Directors attended at least 75% of the total number of meetings of the Board and of all Board committees of which the Directors were members during 2012 that were held while such directors were on the Board.

The table below provides 2012 membership and meeting information for each Board committee as of December 29, 2012:

	Audit	Compensation	Nominating and Governance	Consumer and Shopper Marketing	Manufacturing	Social Responsibility and Public Policy	Executive
John Bryant(1)							ü
Benjamin Carson			ü	ü		ü	
John Dillon	ü	Chair	ü		ü		ü
Gordon Gund		ü	Chair	ü			ü
Jim Jenness(1)							Chair
Dorothy Johnson				ü		Chair	ü
Don Knauss	ü			ü	Chair		ü
Mary Laschinger(2)					ü	ü	
Ann McLaughlin Korologos		ü	ü			ü	
Rogelio Rebolledo	ü	ü		Chair			ü
Sterling Speirn				ü	ü	ü	
John Zabriskie	Chair	ü	ü		ü		ü
2012 Meetings	7	7	4	3	5	2	0

(1) Mr. Jenness and Mr. Bryant attend committee meetings, other than portions of those meetings held in executive session of independent Directors.

(2) Ms. Laschinger was elected as a Director on October 26, 2012.

Audit Committee. Pursuant to a written charter, the Audit Committee, among other things, assists the Board in monitoring the integrity of our financial statements, the independence and performance of our independent registered public accounting firm, the performance of our internal audit function, our Enterprise Risk Management process, our compliance with legal and regulatory requirements, and other related matters. The Audit Committee, or its Chair, also pre-approves all audit, internal control-related and permitted non-audit engagements and services by the independent registered public accounting firm and their affiliates. It also discusses and/or reviews specified matters with, and receives specified information or assurances from, Kellogg management and the independent registered public accounting firm. The Committee also has the sole authority to appoint, subject to Shareowner ratification, or replace the independent registered public accounting firm, which directly reports to the Audit Committee, and is directly responsible for the compensation and oversight of the independent registered public accounting firm. Each member of the Audit Committee has been determined by the Board to be an audit committee financial expert, as that term is defined in Item 407(d)(5) of SEC Regulation S-K. Each member has experience actively supervising a principal financial officer and/or principal accounting officer. Each of the Committee members meets the independence requirements of the New York Stock Exchange.

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Compensation Committee. Pursuant to a written charter, the Compensation Committee, among other things, (a) reviews and approves the compensation philosophy and principles for senior executives; (b) reviews and makes recommendations for the compensation of senior management personnel and monitors overall compensation for senior executives, including reviewing risks arising from Kellogg s compensation policies and practices; (c) reviews and recommends the compensation of the Chief Executive Officer; (d) has sole authority to retain or terminate any compensation consultant used to evaluate senior executive compensation; (e) oversees and administers employee benefit plans to the extent provided in those plans; and (f) reviews trends in management compensation. The Committee may form and delegate authority to subcommittees or the Chair when appropriate. The Compensation Committee, or its Chair, also pre-approves all engagements and services to be performed by any consultants to the Compensation Committee. To assist the Compensation Committee in discharging its responsibilities, the Committee has retained an independent compensation consultant Frederic W. Cook (Cook & Co.). The consultant reports directly to the Compensation Committee. Other than the work it performs for the Compensation Committee and the Board, Cook & Co. does not provide any consulting services to Kellogg or its executive officers. For additional information about the independence of the Committee s consultant, refer to Compensation Discussion and Analysis Compensation Approach Independence.

The Board has determined that each member of the Compensation Committee meets the definition of independence under our corporate governance guidelines and the requirements of the New York Stock Exchange and further qualifies as a non-employee Director for purposes of Rule 16b-3 under the Securities Exchange Act of 1934. The members of the Compensation Committee are not current or former employees of Kellogg and are not eligible to participate in any of our executive compensation programs. Additionally, the Compensation Committee operates in a manner designed to meet the tax deductibility criteria included in Section 162(m) of the Internal Revenue Code.

As noted above, the Compensation Committee is charged with overseeing the review and assessment of risks arising from Kellogg s compensation policies and practices. The Compensation Committee reviews annually the potential for excessive risk in Kellogg s compensation program; including views from independent experts, the SEC, and design features considered to encourage excessive risk taking and Kellogg s approach to those features. Kellogg uses a number of approaches to mitigate excessive risk taking, including significant weighting towards long-term incentive compensation, emphasizing qualitative goals in addition to a variety of quantitative metrics, and equity ownership guidelines. As a result of this review, together with input from the independent compensation consultant, the Compensation Committee determined that the risks arising from Kellogg s compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on Kellogg.

For additional information about the Compensation Committee s processes for establishing and overseeing executive compensation, refer to Compensation Discussion and Analysis Compensation Approach.

Manufacturing Committee. Pursuant to a written charter, the Manufacturing Committee, among other things, assists the Board in discharging its oversight responsibilities with respect to topics relating to Kellogg s manufacturing practices, with the primary focus on Kellogg s food quality and safety, manufacturing facility operations, and people strategies. As it deems appropriate, the Committee reviews policies, programs and practices, and provides strategic advice and counsel concerning the matters set forth above including, but not limited to, food safety, employee health and safety, capacity utilization and planning, contingency planning, productivity programs, commodity purchasing and hedging programs, people utilization and people strategies.

Nominating and Governance Committee. Pursuant to a written charter, the Nominating and Governance Committee, among other things, assists the Board by (a) identifying and reviewing the qualifications of candidates for Director and in determining the criteria for new Directors; (b) recommends nominees for Director to the Board; (c) recommends committee assignments; (d) reviews annually the Board s compliance with the Corporate Governance Guidelines; (e) reviews annually the Corporate Governance Guidelines and recommends changes to the Board; (f) monitors the performance of Directors and conducts performance evaluations of each Director before the Director s re-nomination to the Board; (g) administers the annual evaluation of the Board; (h) provides annually an evaluation of CEO performance used by the independent members of the Board in their

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annual review of CEO performance; (i) considers and evaluates potential waivers of the Code of Conduct for Directors and Global Code of Ethics for senior officers (for which there were none in 2012); (j) makes a report to the Board on CEO succession planning at least annually; (k) provides an annual review of the independence of Directors to the Board; (l) reviews and recommends to the Board responses to Shareowner proposals; and (m) reviews Director compensation. The Chair of the Nominating and Governance Committee, as Lead Director, also presides at executive sessions of independent Directors of the Board. Each of the Nominating and Governance Committee members meets the independence requirements of the New York Stock Exchange.

Social Responsibility and Public Policy Committee. Pursuant to a written charter, the Social Responsibility and Public Policy Committee, among other things, oversees Kellogg s social, public policy, political, environmental sustainability, and health trends, issues and concerns, both domestic and foreign. To assist the Board, the Committee, as it deems appropriate, reviews policies, programs and practices, concerning community health and safety, employment and equal opportunity matters, diversity and inclusion, sustainability, corporate responsibility, consumer affairs, public policy, government relations, philanthropic activities and charitable contributions.

Consumer and Shopper Marketing Committee. Pursuant to a written charter, the Consumer and Shopper Marketing Committee assists the Board by providing advice and counsel on whether Kellogg s marketing and sales capabilities, strategies, and execution are sufficient to support our global growth objectives. In addition, the Committee serves as a consultant to management and makes recommendations to the Board of Directors, as deemed appropriate, relating to Kellogg s marketing activity.

Executive Committee. Pursuant to a written charter, the Executive Committee is generally empowered to act on behalf of the Board between meetings of the Board, with some exceptions.

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PROPOSAL 1 ELECTION OF DIRECTORS

For more than 100 years, consumers have counted on Kellogg for great-tasting, high-quality and nutritious foods. Kellogg is the world s leading producer of cereal, second largest producer of cookies and crackers, and a leading producer of savory snacks and frozen foods. Additional product offerings include toaster pastries, cereal bars, fruit-flavored snacks and veggie foods. Kellogg products are manufactured and marketed globally. As such, we believe that in order for our Board to effectively guide Kellogg to long-term sustainable, dependable performance, it should be composed of individuals with sophistication and experience in the many disciplines that impact our business. In order to best serve Kellogg and our Shareowners, we seek to have a Board, as a whole, that is competent in key corporate disciplines, including accounting and financial acumen, business judgment, crisis management, governance, leadership, people management, risk management, social responsibility and reputational issues, and strategy and strategic planning. In addition, the Board must have specific knowledge related to Kellogg s industry such as, expertise in branded consumer products and consumer dynamics, health and nutrition, international markets, manufacturing and supply chain, marketing, regulatory and government affairs, the retail environment, and sales and distribution.

The Nominating and Governance Committee believes that all Directors must, at a minimum, meet the criteria set forth in the Board s Code of Conduct and the Corporate Governance Guidelines, which specify, among other things, that the Nominating and Governance Committee will consider criteria such as independence, diversity, age, skills and experience in the context of the needs of the Board. In addressing issues of diversity in particular, the Nominating and Governance Committee considers a nominee s differences in viewpoint, professional experience, background, education, skill, age, race, gender and national origin. The Nominating and Governance Committee believes that diversity of backgrounds and viewpoints is a key attribute for a director nominee. The Committee seeks a diverse Board that is representative of our global business, Shareowners, consumers, customers, and employees. While the Nominating and Governance Committee carefully considers diversity when considering directors, it has not established a formal policy regarding diversity. The Nominating and Governance Committee also will consider a combination of factors for each director, including (1) the nominee s ability to represent all Shareowners without a conflict of interest; (2) the nominee s ability to work in and promote a productive environment; (3) whether the director has sufficient time and willingness to fulfill the substantial duties and responsibilities of a Director; (4) whether the nominee has demonstrated the high level of character and integrity that we expect; (5) whether the nominee possesses the broad professional and leadership experience and skills necessary to effectively respond to the complex issues encountered by a multi-national, publicly-traded company; and (6) the nominee s ability to apply sound and independent business judgment.

The Nominating and Governance Committee has determined that all of our Directors meet the criteria and qualifications set forth in the Board s Code of Conduct, the Corporate Governance Guidelines and the criteria set forth above for director nominees. Moreover, each Director possesses the following critical personal qualities and attributes that we believe are essential for the proper functioning of the Board to allow it to fulfill its duties for our Shareowners: accountability, ethical leadership, governance, integrity, leadership, risk management, and the ability to exercise sound business judgment. In addition, our Directors have the mature confidence to assess and challenge the way things are done and recommend alternative solutions, a keen awareness of the business and social realities of the global environment in which Kellogg operates, the independence and high performance standards necessary to fulfill its oversight function, and the humility and style to interface openly and constructively with other Directors. Finally, the Director biographies below include a non-exclusive list of other key experiences and qualifications that further qualify the individual to serve on the Board. These collective qualities, skills, experiences and attributes are essential to our Board s ability to exercise its oversight function for Kellogg and its Shareowners, and guide the long-term sustainable, dependable performance of Kellogg.

Our amended restated certificate of incorporation and bylaws provide that the Board shall be composed of not less than seven and no more than fifteen Directors divided into three classes as nearly equal in number as possible, and that each Director shall be elected for a term of three years with the term of one class expiring each year.

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Four Directors are to be re-elected at the 2013 Annual Meeting to serve for a term ending at the 2016 Annual Meeting of Shareowners, and the proxies cannot be voted for a greater number of persons than the number of nominees named. There are currently thirteen members of the Board. Ms. Dorothy Johnson is not standing for re-election at the annual meeting because she is retiring from the Board effective at the 2013 Annual Meeting.

The Board recommends that the Shareowners vote FOR the following nominees: Gordon Gund, Mary Laschinger, Ann McLaughlin Korologos, and Cynthia Milligan. Each nominee was proposed for re-election by the Nominating and Governance Committee for consideration by the Board and proposal to the Shareowners. In accordance with Kellogg s Corporate Governance Guidelines, and after considering a variety of special circumstances, the Nominating and Governance Committee recommended and the Board determined that it is in the best interest of Kellogg to re-nominate Mr. Gund and extend his service for one additional term. As our lead director, Mr. Gund plays a critical role on the Board and on a number of our committees. In addition to serving on the Compensation Committee and Consumer and Shopper Marketing Committee, Mr. Gund chairs our Nominating and Governance Committee utilizing his expertise and experience to provide critical oversight and input on important governance areas for Kellogg, including Board composition and nominee selection, that require both institutional and public company experience. In addition, extending Mr. Gund s term allows leadership continuity for the Board. Due to Mr. Gund s central role on the Board and in the direction of Kellogg, we believe that his continued service on the Board is in the best interests of Kellogg.

Nominees for Election for a Three-Year Term Expiring at the 2016 Annual Meeting.

GORDON GUND. Mr. Gund, age 73, has served as a Kellogg Director since 1986. He is Chairman and Chief Executive Officer of Gund Investment Corporation, which manages diversified investment activities. He is also a director of Corning Incorporated, where he has most recently been its lead director and chairman of its nominating and corporate governance committee.

Mr. Gund is co-founder and chairman of the Foundation Fighting Blindness, the largest private funder of research to find treatments and cures for the more than 10 million people in the United States and many times that worldwide who are blinded by retinal degenerative diseases. The Foundation has more than 150,000 active volunteers and donors around the country and funds more than 170 research projects around the world.

As a result of these professional and other experiences, Mr. Gund possesses particular knowledge and experience in a variety of areas, including international markets, people management, regulatory and government affairs, social responsibility and reputational issues, and strategy and strategic planning, and has public company board experience (including specific experience in compensation, governance and marketing oversight) that strengthens the Board s collective knowledge, capabilities and experience.

MARY LASCHINGER. Ms. Laschinger, age 52, has served as a Kellogg Director since October 2012. She is Senior Vice President of International Paper and president of its xpedx distribution business. She previously served as President of International Paper s Europe, Middle East, Africa and Russia business located in Belgium. Prior to that, Ms. Laschinger held various positions in product management and distribution at James River Corporation and Kimberly-Clark Corporation.

As a result of these professional and other experiences, Ms. Laschinger possesses particular knowledge and experience in a variety of areas (including branded consumer products and consumer dynamics, international markets, manufacturing and supply chain, people management, and sales and distribution oversight) that strengthens the Board s collective knowledge, capabilities and experience.

ANN MCLAUGHLIN KOROLOGOS. Ms. McLaughlin Korologos, age 71, has served as a Kellogg Director since 1989. She served as Chairman of the Board of Trustees of RAND Corporation from April 2004 to April 2009. She is Chairman Emeritus of The Aspen Institute, a nonprofit organization, and is a former U.S. Secretary of Labor. She is a director of Host Hotels & Resorts, Inc., Harman International Industries, Inc. and Vulcan Materials Company, and within the past five years, has also served as a director of Microsoft Corporation and Fannie Mae. While Ms. Korologos is also a director of AMR Corporation (and its subsidiary, American

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Airlines), she will be retiring from the board of AMR Corporation and American Airlines when the transaction with US Airways Group, Inc. is consummated, which is expected to occur in the third quarter of 2013.

As a result of these professional and other experiences, Ms. Korologos possesses particular knowledge and experience in a variety of areas, including health and nutrition, international markets, marketing, regulatory and government affairs, and social responsibility and reputational issues, and has public company board experience (including specific experience in audit, compensation, diversity, governance, and social responsibility oversight) that strengthens the Board s collective knowledge, capabilities and experience.

CYNTHIA MILLIGAN. Ms. Milligan, age 66, has served as a Kellogg Director since February 2013. She served as Dean of the College of Business Administration at the University of Nebraska-Lincoln, located in Lincoln, Nebraska, from June 1998 until May 2009, when she was named Dean Emeritus of the College of Business Administration. Before joining the University of Nebraska, Ms. Milligan served as president of Cynthia Milligan & Associates, and before that was a senior partner of a law firm in Lincoln, Nebraska. Ms. Milligan is a director of Wells Fargo & Company, Raven Industries, Inc., and 18 Calvert-sponsored mutual funds. She has also served as a member of the board of trustees of W.K. Kellogg Foundation since January 1999. She was Director of Banking and Finance for the State of Nebraska from 1987 until 1991, and she served as a director, Omaha Branch, of the Kansas City Federal Reserve from 2002 to 2007.

As a result of these professional and other experiences, Ms. Milligan possesses particular knowledge and experience in a variety of areas, including, regulatory and government affairs, accounting and financial acumen, people management, leadership and administration, social responsibility and reputational issues, and public company board experience (including specific experience in credit, risk, governance, and social responsibility oversight) that strengthens the Board s collective knowledge, capabilities and experience.

Continuing Directors to Serve Until the 2015 Annual Meeting.

BENJAMIN CARSON. Dr. Carson, age 61, has served as a Kellogg Director since 1997. He is Professor and Director of Pediatric Neurosurgery, The Johns Hopkins Medical Institutions, a position he has held since 1984, as well as Professor of Oncology, Plastic Surgery, Pediatrics and Neurosurgery at The Johns Hopkins Medical Institutions. Dr. Carson is also an accomplished author and frequent speaker on a variety of topics, including pediatric neurology, motivation and self-help for children, and community involvement. Dr. Carson is a director of Costco Wholesale Corporation.

As a result of these professional and other experiences, Dr. Carson possesses particular knowledge and experience in a variety of areas, including crisis management, health and nutrition, regulatory and government affairs, the retail environment, and social responsibility and reputational issues, and provides diversity of background and viewpoint by virtue of his academic record. Dr. Carson has public company board experience (including specific experience in compensation, governance, marketing and social responsibility oversight) that strengthens the Board s collective knowledge, capabilities and experience.

JOHN DILLON. Mr. Dillon, age 74, has served as a Kellogg Director since 2000. He is Senior Advisor of Evercore Partners. He retired in October 2003 as Chairman of the Board and Chief Executive Officer of International Paper Company, a position he held since 1996, and retired as Chairman of the Business Roundtable in June 2003. He is a director of Progressive Waste Solutions, Ltd., and within the past five years, he has also served as a director of Caterpillar Inc. and E. I. du Pont de Nemours and Company.

As a result of these professional and other experiences, Mr. Dillon has been determined to be an Audit Committee Financial Expert under the SEC s rules and regulations, possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, international markets, manufacturing and supply chain, sales and distribution, and strategy and strategic planning, and has public company board experience (including specific experience in auditing, compensation, governance, and manufacturing oversight) that strengthens the Board s collective knowledge, capabilities and experience.

JIM JENNESS. Mr. Jenness, age 66, has been Kellogg Chairman since February 2005 and has served as a Kellogg Director since 2000. He was our Chief Executive Officer from February 2005 through December 30,

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2006, and Chief Executive Officer of Integrated Merchandising Systems, LLC, a leader in outsource management of retail promotion and branded merchandising, from 1997 to December 2004. Before joining Integrated Merchandising Systems, Mr. Jenness served as Vice Chairman and Chief Operating Officer of the Leo Burnett Company from 1996 to 1997 and, before that, as Global Vice Chairman North America and Latin America from 1993 to 1996. He has also been a trustee of the W. K. Kellogg Foundation Trust since 2005, and is lead director of Kimberly-Clark Corporation.

As a result of these professional and other experiences, Mr. Jenness possesses particular knowledge and experience in a variety of areas, including branded consumer products and consumer dynamics, health and nutrition, marketing, people management, regulatory and government affairs, strategy and strategic planning, and has public company board experience (including specific experience in compensation oversight) that strengthens the Board s collective knowledge, capabilities and experience.

DON KNAUSS. Mr. Knauss, age 62, has served as a Kellogg Director since December 2007. Mr. Knauss was elected Chairman and Chief Executive Officer of The Clorox Company in October 2006. He was executive vice president of The Coca-Cola Company and president and chief operating officer for Coca-Cola North America from February 2004 until August 2006. Previously, he was president of the Retail Division of Coca-Cola North America from January 2003 through February 2004 and president and chief executive officer of The Minute Maid Company, a division of The Coca-Cola Company, from January 2000 until January 2003 and President of Coca-Cola Southern Africa from March 1998 until January 2000. Prior to that, he held various positions in marketing and sales with PepsiCo, Inc. and Procter & Gamble, and served as an officer in the United States Marine Corps. Mr. Knauss is a director of URS Corporation.

As a result of these professional and other experiences, Mr. Knauss has been determined to be an Audit Committee Financial Expert under the SEC s rules and regulations, possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, branded consumer products and consumer dynamics, manufacturing and supply chain, the retail environment, and sales and distribution, and has public company board experience (including specific experience in auditing, manufacturing, and marketing oversight) that strengthens the Board s collective knowledge, capabilities and experience.

Continuing Directors to Serve Until the 2014 Annual Meeting.

JOHN BRYANT. Mr. Bryant, age 47, has served as a Kellogg Director since July 2010. In January 2011, he was appointed President and Chief Executive Officer after having served as our Executive Vice President and Chief Operating Officer since August 2008. Mr. Bryant joined Kellogg in March 1998, and was promoted during the next eight years to a number of key financial and executive leadership roles. He was appointed Executive Vice President and Chief Financial Officer, Kellogg Company, President, Kellogg International in December 2006. In July 2007, Mr. Bryant was appointed Executive Vice President and Chief Financial Officer, Kellogg Company, President, Kellogg North America and in August 2008, he was appointed Executive Vice President, Chief Operating Officer and Chief Financial Officer. Mr. Bryant served as Chief Financial Officer through December 2009.

As a result of these professional and other experiences, Mr. Bryant possesses particular knowledge and experience in a variety of areas, including accounting and finance, branded consumer products and consumer dynamics, crisis management, health and nutrition, international markets, marketing, people management, the retail environment, strategy and strategic planning, and has public company board experience that strengthens the Board s collective knowledge, capabilities and experience.

ROGELIO REBOLLEDO. Mr. Rebolledo, age 68, has served as a Kellogg Director since October 2008. In 2007, Mr. Rebolledo retired from his position as chairman of PBG Mexico, the Mexican operations of Pepsi Bottling Group, Inc. He began his 30-year career with PepsiCo Inc. at Sabritas, the salty snack food unit of Frito-Lay International in Mexico. He was responsible for the development of the international Frito-Lay business, first in Latin America and then in Asia and Europe. From 2001 to 2003, he was president and chief executive officer of Frito-Lay International. He also served as president and chief executive officer of Pepsi Bottling Group s Mexico operations from January 2004 until being named chairman. Mr. Rebolledo is a director of The Clorox Company,

and within the past five years, Mr. Rebolledo has also served as a director of Best Buy Co., Inc., The Pepsi Bottling Group, Applebees Inc. and Grupo ALFA.

As a result of these professional and other experiences, Mr. Rebolledo has been determined to be an Audit Committee Financial Expert under the SEC s rules and regulations, possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, international markets, manufacturing and supply chain, marketing, the retail environment, and sales and distribution, and has public company board experience (including specific experience in auditing, compensation, and marketing oversight) that strengthens the Board s collective knowledge, capabilities and experience.

STERLING SPEIRN. Mr. Speirn, age 65, has served as a Kellogg Director since March 2007. He is President and Chief Executive Officer of the W. K. Kellogg Foundation. He is also a trustee of the W. K. Kellogg Foundation Trust. Prior to joining the W. K. Kellogg Foundation in January 2006, he was President of Peninsula Community Foundation from November 1992 through 2005 and served as a director of the Center for Venture Philanthropy, which he co-founded in 1999.

As a result of these professional and other experiences, Mr. Speirn possesses particular knowledge and experience in a variety of areas, including crisis management, health and nutrition, people management, regulatory and government affairs, social responsibility and reputational issues, and strategy and strategic planning and has public company board experience (including specific experience in manufacturing, marketing, and social responsibility oversight) that strengthens the Board s collective knowledge, capabilities and experience.

JOHN ZABRISKIE. Dr. Zabriskie, age 73, has served as a Kellogg Director since 1995. He is also co-founder and Director of PureTech Ventures, LLC, a firm that co-founds life science companies. In 1999, he retired as Chief Executive Officer of NEN Life Science Products, Inc., a position he had held since 1997. From November 1995 to January 1997, Dr. Zabriskie served as President and Chief Executive Officer of Pharmacia & Upjohn, Inc. Dr. Zabriskie is a director of Array Biopharma, Inc. and ARCA biopharma, Inc.

As a result of these professional and other experiences, Dr. Zabriskie has been determined to be an Audit Committee Financial Expert under the SEC s rules and regulations, possesses particular knowledge and experience in a variety of areas, including accounting and financial acumen, crisis management, health and nutrition, manufacturing and supply chain, and sales and distribution, and has public company board experience (including specific experience in audit, compensation, governance, and manufacturing oversight) that strengthens the Board s collective knowledge, capabilities and experience.

2012 DIRECTOR COMPENSATION AND BENEFITS

Only non-employee Directors receive compensation for their services as Directors. For information about the compensation of Mr. Bryant, refer to Executive Compensation beginning on page 40. Because Mr. Jenness, our Chairman of the Board, is not a named executive officer, we have included the compensation he receives as a Kellogg employee in the Directors Compensation Table.

Our 2012 compensation for non-employee Directors was comprised of annual retainers and equity-based grants to further align with shareowners. The annual pay is designed to attract and retain diverse, highly-qualified, seasoned, and independent professionals to represent all of our Shareowners, and is targeted at the median of our peer group. Refer to Compensation Discussion and Analysis Compensation Approach for a description of the companies that make up our peer group. The Nominating and Governance Committee reviews our Director compensation program on an annual basis with Frederic W. Cook, the independent compensation consultant, including the competitiveness and appropriateness of the program. Although the Nominating and Governance Committee conducts this review on an annual basis, its general practice is to consider adjustments to Director compensation every other year.

Our compensation is also designed to create alignment between our Directors and our Shareowners through the use of equity-based grants. In 2012, approximately two-thirds of non-employee Director pay was in equity and approximately one-third in cash. Actual annual pay varies somewhat among non-employee Directors based primarily on committee chair responsibilities.

Mr. Jenness, our executive Chairman of the Board received compensation in 2012 of approximately $800,000, which is comprised of the same long-term incentives granted to non-employee Directors (2,788 shares of restricted stock) with the balance paid in cash over the year. Mr. Jenness received this equity grant on the same day the annual long-term incentives were granted to the non-employee Directors. The shares of restricted stock vested at the time of the grant, but, similar to the other Directors, Mr. Jenness must hold the shares as long as he is a Kellogg Director. The Board, following a review by the independent compensation consultant, determined the total compensation amount for Mr. Jenness to be reasonable and competitive.

Compensation as of December 29, 2012 for non-employee Directors consisted of the following:

Type of Compensation	Amount
Annual Cash Retainer(1)	$ 88,000
Annual Stock Awards Retainer	2,788 shares
Annual Retainer for Committee Chair:	
Audit Committee	$ 17,500
Compensation Committee	$ 12,500
All Other Committees	$ 10,000

(1) The annual cash retainer is paid in quarterly installments.

Stock Awards. Stock awards are granted in early May and for non-employee Directors are automatically deferred pursuant to the Kellogg Company Grantor Trust for Non-Employee Directors. Under the terms of the Grantor Trust, shares are available to a Director only upon termination of service on the Board.

Business Expenses. Kellogg pays for the business expenses related to Directors attending Kellogg meetings, including room, meals and transportation to and from Board and Committee meetings. On rare occasions, a Director s spouse accompanies a Director when traveling on Kellogg business. At times, a Director travels to and from Kellogg meetings on Kellogg corporate aircraft. Directors are also eligible to be reimbursed for attendance at qualified Director education programs.

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Director and Officer Liability Insurance and Travel Accident Insurance. Director and officer liability insurance (D&O Insurance) insures our Directors and officers against certain losses that they are legally required to pay as a result of their actions while performing duties on our behalf. Our D&O Insurance policy does not break out the premium for Directors versus officers and, therefore, a dollar amount cannot be assigned for individual Directors. Travel accident insurance provides benefits to each Director in the event of death or disability (permanent and total) during travel on Kellogg corporate aircraft. Our travel accident insurance policy also covers employees and others while traveling on Kellogg corporate aircraft and, therefore, a dollar amount cannot be assigned for individual Directors.

Elective Deferral Program. Under the Deferred Compensation Plan for Non-Employee Directors, non-employee Directors may each year irrevocably elect to defer all or a portion of their Board annual cash retainer payable for the following year. The amount deferred is credited to an account in the form of units equivalent to the fair market value of our common stock. If the Board declares dividends, a fractional unit representing the dividend is credited to the account of each participating Director. A participant s account balance is paid in cash or stock, at the election of the Director, upon termination of service as a Director. The balance is paid in a lump sum or over a period from one to ten years at the election of the Director and the unpaid account balance accrues interest annually at the prime rate in effect when the termination of service occurred.

Minimum Stock Ownership Requirement. All non-employee Directors are expected to comply with stock ownership guidelines, under which they are expected to hold at least five times the annual cash retainer ($440,000 five times the $88,000 retainer) in stock or stock equivalents, subject to a five-year phase-in period for newly-elected Directors. As of December 29, 2012, all of the non-employee Directors exceeded or were on track to meet this requirement. Mr. Bryant and Mr. Jenness are expected to comply with the stock ownership guidelines described in Compensation Discussion and Analysis Executive Compensation Policies Executive Stock Ownership Guidelines.

Kellogg Matching Grant Program. Directors are eligible to participate in our Corporate Citizenship Fund Matching Grant Program, which is also available to all of our active, full-time U.S. employees. Under this program, our Corporate Citizenship Fund matched 100 percent of donations made to eligible organizations up to a maximum of $10,000 per calendar year for each individual. These limits apply to both employees and Directors. Effective June 30, 2013, the program will be discontinued, and financial support of the program will be phased out during 2013.

Discontinued Program. Prior to December 1995, we had a Director s Charitable Awards Program pursuant to which each Director could name up to four organizations to which Kellogg would contribute an aggregate of $1 million upon the death of the Director. In 1995, the Board discontinued this program for Directors first elected after December 1995. In 2012, the following Directors continued to be eligible to participate in this program: Mr. Gund, Ms. McLaughlin Korologos and Dr. Zabriskie. We funded the cost of this program for two out of the three eligible Directors through the purchase of insurance policies prior to 2008. We will make cash payments in the future under this program if insurance proceeds are not available at the time of the Director s death. There were no cash payments made in 2012 with respect to this program; however, in 2012, we recognized nonpension postretirement benefits expense associated with this obligation as follows: Mr. Gund $22,402, Ms. McLaughlin Korologos $19,917 and Dr. Zabriskie $22,958. These benefits are not reflected in the Directors Compensation Table.

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DIRECTORS COMPENSATION TABLE

The individual components of the total compensation calculation reflected in the table below are as follows:

Fees and Retainers. The amounts shown under the heading Fees Earned or Paid in Cash consist of annual retainers earned by or paid in cash to our non-employee Directors in 2012. For Mr. Jenness, the amount represents his annual cash compensation as executive Chairman of the Board.

Stock Awards. The amounts disclosed under the heading Stock Awards consist of the annual grant of deferred shares of common stock, and, for non-employee Directors, the shares are placed in the Kellogg Company Grantor Trust for Non-Employee Directors. The dollar amounts for the awards represent the grant-date fair value calculated in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (Compensation Stock Compensation).

All Other Compensation. Perquisites and other compensation are limited in scope and for non-employee Directors are comprised of charitable matching contributions made under our Corporate Citizenship Fund Matching Grant Program, a broad-based program at Kellogg. Effective June 30, 2013, the program will be discontinued, and financial support of the program will be phased out during 2013.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(4)	Non-equity Incentive Plan Compensation ($)(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(6)	All Other Compensation ($)(7)	Total ($)
Benjamin Carson Sr.	88,000	140,989					228,989
John Dillon	100,500	140,989				10,000	251,489
Gordon Gund	98,000	140,989				10,000	248,989
Jim Jenness	658,996	140,989			114,014(8)	161,099	1,075,098
Dorothy Johnson	98,000	140,989				10,000	248,989
Donald Knauss	98,000	140,989				10,000	248,989
Mary Laschinger(9)	23,435	75,338					98,773
Ann McLaughlin Korologos	88,000	140,989				6,250	235,239
Rogelio Rebolledo	98,000	140,989					238,989
Sterling Speirn	88,000	140,989				4,500	233,489
Robert Steele(10)	0	0					0
John Zabriskie	105,500	140,989					246,489

(1) The aggregate dollar amount of all fees earned or paid in cash for services as a non-employee Director, including annual board and committee chair retainer fees, in each case before deferrals. For Mr. Jenness, represents the annual cash compensation paid as executive Chairman of the Board.

(2) Other than for Mr. Jenness, the amount reflects the grant-date fair value calculated in accordance with FASB ASC Topic 718 for the annual grant of 2,788 deferred shares of common stock. Refer to Notes 1 and 7 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2012. The grant-date fair value of the stock-based awards will likely vary from the actual value the Director receives. The actual value the Director receives will depend on the number of shares and the price of our common stock when the shares or their cash equivalent are distributed. As of December 29, 2012, none of our non-employee Directors were deemed to have outstanding restricted stock awards, because all of those awards vested in prior years. The number of shares of common stock held by each of our Directors is shown under Officer and Director Stock Ownership on page 6 of this proxy statement.

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(3) For Mr. Jenness, the amount reflects the grant-date fair value calculated in accordance with FASB ASC Topic 718 for the annual grant of 2,788 shares of restricted stock. The shares of restricted stock vested at the time of the grant, but Mr. Jenness must hold the after-tax shares as long as he is a Kellogg Director. The total number of shares of common stock held by Mr. Jenness is shown under Officer and Director Stock Ownership on page 6 of this proxy statement.

(4) As of December 29, 2012, these Directors had the following stock options outstanding: Benjamin Carson 25,000 options; John Dillon 25,000 options; Gordon Gund 28,033 options; Jim Jenness 431,410 options; Dorothy Johnson 25,000 options; Don Knauss 6,931 options; Ann McLaughlin Korologos 25,000 options; Rogelio Rebolledo 2,534 options; Sterling Speirn 5,781 options; and John Zabriskie 25,000 options. The number of stock options held by our Directors is a function of years of Board service and the timing of exercise of vested awards. These options were granted in previous years as a component of the non-employee directors annual compensation. In December 2008, the Board decided to stop granting stock options to non-employee Directors.

(5) Kellogg does not have a non-equity incentive plan for non-employee Directors.

(6) Kellogg does not have a pension plan for non-employee Directors and does not pay above-market or preferential rates on non-qualified deferred compensation for non-employee Directors.

(7) Represents charitable matching contributions made under our Corporate Citizenship Fund Matching Grant Program: John Dillon $10,000; Gordon Gund $10,000; Jim Jenness $5,000; Dorothy Johnson $10,000; Don Knauss $10,000; Ann McLaughlin Korologos $6,250; and Sterling Speirn $4,500. For Mr. Jenness, this amount also represents Kellogg contributions to our Savings & Investment Plan and Restoration Plan ($26,360), the annual cost of the Executive Survivor Income Plan (Kellogg funded death benefit provided to executive employees) ($129,679), and physical health exams ($60).

(8) As Chairman, Mr. Jenness is covered as an employee by our U.S. Pension Plans provided to other U.S.-based NEOs. Mr. Jenness is entitled to a lump sum pension benefit from Kellogg that was scheduled to begin on January 1, 2008 (which we refer to as the election date), however, Mr. Jenness continued as an employee beyond that date. The benefit is payable after the termination of his employment from Kellogg as a result of Section 409A of the Internal Revenue Code. Therefore, Mr. Jenness does not receive any further benefit other than interest credited to his January 1, 2008 benefit from that date until the date of actual commencement. In accordance with our Pension Plans, the pension benefit (stated as a single life annuity of $155,167) was converted to a lump sum amount using the PBGC interest rate in effect in October 2007. The lump sum accrues interest at the 30-year treasury rate from the election date. If Mr. Jenness employment is terminated by us for cause, he will not be entitled to a pension payment. The increase represents the interest earned as of December 29, 2012.

(9) Ms. Laschinger was elected as a Director on October 26, 2012.

(10) Mr. Steele resigned as a Director on January 16, 2012.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction. This discussion and analysis provides information regarding the compensation program in place for our CEO, CFO, and the three other most highly-compensated executive officers. In this proxy statement, we refer to our CEO, CFO and the other three individuals as our Named Executive Officers or NEOs.

In order to present Kellogg s executive compensation program in a simple and understandable manner, the Compensation Discussion and Analysis has been organized into the following sections:

I. Executive Summary an overview of our compensation program and key 2012 compensation highlights.

II. Core Principles the fundamental tenets upon which our compensation program is built, such as pay for performance.

III. Compensation Approach the process used to develop plan design, set compensation, and verify that actual pay is consistent with our Core Principles.

IV. Compensation Plans and Design the elements of the compensation program and 2012 pay.

V. Compensation Policies key policies that govern the operation of the plans.

It is important to read this section in conjunction with the detailed tables and narrative descriptions under Executive Compensation beginning on page 40 of this proxy statement.

I. Executive Summary. This executive summary highlights core principles of our compensation program, the approach followed by the Compensation Committee, and a 2012 overview.

Core Principles. We operate in a robust and challenging industry, where competitive compensation is important. We believe that our executive compensation program for our NEOs should be designed to (a) provide a competitive level of total compensation necessary to attract and retain talented and experienced executives; (b) appropriately motivate them to contribute to our short- and long-term success; and (c) help drive long-term total return for our Shareowners. Accordingly, the Core Principles that underpin our executive compensation program include Pay for Performance, Shareowner Alignment, Values-Based and Mitigating Risk. A detailed description of these principles is included in this Compensation Discussion and Analysis, and the following is a brief overview of each.

Pay for Performance. Our compensation program is designed to have a significant portion of an NEO s actual pay linked to Kellogg s actual performance. We accomplish this by utilizing performance-based pay programs like our annual incentive, three-year executive performance and stock option plans, and by limiting perquisites.

Shareowner Alignment. We align the interest of our NEOs with Shareowners by encouraging our NEOs to have a meaningful personal financial stake in Kellogg. We gain this alignment by maintaining stock ownership guidelines, having a significant portion of an NEO s target compensation stock-based, and using compensation plan goals that are tied to key financial metrics of Kellogg. In addition, our Compensation Committee reviews total shareowner return as a key financial metric when reviewing performance to verify our pay for performance connection.

Values-Based. Our NEOs are evaluated on the behaviors they exhibit as they drive results. The compensation program links the what each NEO contributes as well as how an NEO makes those contributions.

Mitigating Risk. Our compensation program is designed to mitigate risks relating to our business. The program accomplishes this by balancing short-term and rolling three-year incentives, which uses various financial metrics to ensure the business grows in a balanced manner. In addition, we use clawback provisions to mitigate risk by creating appropriate remedies under certain circumstances.

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Compensation Approach. The approach utilized by the Compensation Committee is a key feature that ensures that actual compensation and plan design are consistent with the Core Principles. Our compensation approach is a multi-step process based on (a) independent decision-making, (b) utilizing peer group data to appropriately target compensation levels, (c) targeting compensation at the 50th percentile of the peer group, (d) following a consistent, rigorous target setting process, and (e) utilizing verification tools to ensure appropriate decisions are being made.

Overview. In 2012, the Compensation Committee took the following actions:

Annual Incentive Plan (AIP) Corporate Payouts Below Target (Pay for Performance). Based on Kellogg s corporate targets, established when the plan was adopted, and actual 2012 performance, the Compensation Committee determined that a below target payout (66% of the AIP target) would be made to our NEOs for 2012 corporate performance, before taking individual performance into consideration.

Additional Metrics for AIP Payouts (Values-Based, Mitigating Risk). For 2012, the Compensation Committee approved adding to Kellogg s AIP program key operational metrics relating to safety (food and people) and diversity and inclusion. For the NEOs, 10% of the 2012 AIP Payout was subject to performance on these metrics, further driving key performance indicators and mitigating risk relating to Kellogg s business.

No 2010-2012 Executive Performance Plan (EPP) Payouts to NEOs (Pay for Performance). Kellogg s actual 2010 through 2012 performance was below targets set for purposes of Section 162(m) of the Internal Revenue Code when the plan was adopted. As a result, Kellogg did not make an EPP payout to any of the NEOs.

Advisory Resolution to Approve Executive Compensation (Shareowner Alignment). When setting compensation, and in determining compensation policies and practices, the Compensation Committee took into account the results on the 2012 Shareowner advisory resolution to approve executive compensation. At the 2012 Annual Shareowners Meeting, approximately 97% of votes cast approved Kellogg s compensation program for our NEOs. The Compensation Committee took these results into account by continuing to emphasize the Core Principles underlying Kellogg s executive compensation program.

Compensation Risk Assessment (Mitigating Risk). In 2012, the Compensation Committee reviewed compensation design features considered to encourage excessive risk taking and Kellogg s approach to those features. As a result of this review, and together with input from the independent compensation consultant, the Compensation Committee determined that the risks arising from Kellogg s compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on Kellogg.

Independent Compensation Consultant (Compensation Approach). The Compensation Committee engaged Cook & Co. as its independent compensation consultant in 2012. Kellogg s policy requires that the compensation consultant not provide any consulting or other services to Kellogg or its executive officers other than the work performed on behalf of the Compensation Committee or the Board. Cook & Co. has been engaged by the Compensation Committee since spring 2010.

II. Core Principles. Our compensation program is based on the following core principles each of which is more fully described below.

Pay for Performance,

Shareowner Alignment,

Values-Based, and

Mitigating Risk.

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Pay for Performance. The fundamental principle underlying our compensation programs is pay for performance. That is, linking the amount of actual pay to the performance of Kellogg and each NEO.

We accomplish this in several ways, including ensuring that target pay levels are market based, utilizing performance-based pay, and limiting perquisites (each of which is more fully described below). The 2012 fiscal year was challenging for Kellogg. For the full year 2012, our reported net sales, which includes the impact of the operating results of the Pringles business since the acquisition on May 31, 2012, increased by 7.6% and internal net sales increased by 2.5%, in line with our expectations. Reported operating profit, which includes the impact of an accounting change (relating to recognition of expense for our pension and post-retirement benefit plans), the operating results of the Pringles business, and transaction and integration costs related to the acquisition of Pringles, increased by 9.5%. Underlying operating profit declined by 5.7%, in line with our expectations, and was unfavorably impacted by anticipated cost inflation, the impact of the third quarter s limited recall, and increased brand-building investment. Diluted earnings per share (EPS) of $2.67 was up 12.2% compared to the prior year EPS of $2.38. Underlying EPS of $3.52 was in line with our expectations. That performance is reflected in the fact that our NEOs, before consideration for individual performance, received a below target payout (66% of the target) under the 2012 AIP and no payout under the 2010-2012 EPP.

Market Driven Compensation. All components of our executive compensation package are targeted at the 50th percentile of our compensation peer group to ensure that our executives are appropriately compensated, and we are able to recruit and retain the right talent for the organization. Actual compensation ranges above or below the 50th percentile of our compensation peer group based on performance against pre-determined goals are designed to drive sustainable results and increase Shareowner value.

Performance-based Compensation. A significant portion of our NEOs target compensation is performance-based pay tied to both short-term performance (Annual Incentive Plan awards) and long-term performance (Executive Performance Plan awards and stock options). These awards link pay amounts to our level of performance with respect to achieving our strategic and operational goals. As employees assume greater responsibility, a larger portion of their total compensation is performance based. In other words, the more senior the executive, the greater percentage of their pay is performance based. For our CEO, 88% of 2012 target compensation (salary, annual incentives and long-term incentives) was comprised of performance-based incentives.

Performance-Based Compensation

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The chart above highlights for each NEO the percentage contribution of each element of the 2012 target compensation. The chart demonstrates how base salary (fixed component) contributes less for the CEO from a percentage standpoint than the other NEOs. One result of this structure is that, generally speaking, the difference between actual total compensation for the CEO as compared to that of the other NEOs will be greater the better Kellogg performs.

Limited Perquisites. To further ensure pay for performance, executives receive limited perquisites, as shown on page 36. For additional information about perquisites, refer to Executive Compensation Summary Compensation Table footnote f .

Shareowner Alignment. Aligning the interests of our executives with Shareowners is an important way to drive behaviors that will generate long-term Shareowner value. We align these interests by using equity awards that have a long-term focus and by maintaining robust stock ownership guidelines (each of which is more fully described below). Equity-based incentives are an effective method of facilitating stock ownership and further aligning the interests of executives with those of our Shareowners. Consequently, a significant portion of our NEOs total target compensation is comprised of equity-based incentives (69% for CEO).

Longer-Term Focus. Our Executive Performance Plan is a stock-based, pay for performance, multi-year incentive plan intended to focus senior management on achieving critical operational goals over three-year periods. These goals are tied to key financial measures (such as internal net sales growth and internal operating profit growth), which, if achieved, are drivers of Shareowner value. In addition, stock options granted in 2012 vest in three equal annual installments in 2013, 2014, and 2015, and are exercisable until the 10th anniversary of the grant date.

Stock Ownership Guidelines. Kellogg has established robust share ownership guidelines to strengthen the ongoing and continued link between the interests of NEOs and Shareowners. The CEO is expected to own shares equal to at least six times annual base salary. Each of the other NEOs is expected to own shares equal to at least three times his annual base salary. Each of our NEOs currently exceeds or is on track to meet his ownership guideline.

Values-Based. Kellogg s compensation program is designed to reward an executive s performance and contribution to Kellogg s objectives. And each NEO is evaluated on their specific contributions, as well as the behaviors they exhibit as they drive results. In other words, our compensation is linked to what each NEO contributes as well as how an NEO makes those contributions. The shared behaviors (what we call our K Values) that Kellogg expects from its NEOs and believes are essential to achieving long-term dependable and sustainable growth and increased value for Shareowners are as follows:

- Acting with integrity and showing respect;
- Being accountable for our actions and results;
- Being passionate about our business, our brands and our food;
- Having the humility and hunger to learn;
- Striving for simplicity; and
- Loving success.

Mitigating Risk. The compensation program is designed so that it does not encourage taking unreasonable risks relating to our business. Kellogg s compensation program mitigates risk by balancing short-term and rolling multi-year incentives using various financial metrics to ensure the business grows in a balanced manner. In addition, the use of clawback provisions further drives risk mitigation by creating appropriate remedies under certain circumstances.

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Clawback Policies. We maintain clawback provisions relating to our Annual Incentive Plan, stock options, and Executive Performance Plan programs. The provisions allow Kellogg to recoup performance-based gains by executive officers (and other program participants) for violations of Kellogg policy or misconduct causing a financial restatement.

III. Compensation Approach. Our compensation approach is based on (1) independent decision making, (2) utilizing peer group data to appropriately target compensation levels, (3) targeting compensation at the 50th percentile of the peer group, (4) following a consistent, rigorous target setting process, and (5) utilizing verification tools to ensure appropriate decisions are being made. Each is described more fully below.

Independence. Our Compensation Committee is responsible for administering the compensation program for executive officers of Kellogg. The members of the Compensation Committee are fully independent. None of the Compensation Committee members are current or former employees of Kellogg, and they are not eligible to participate in any of our executive compensation programs. For more information, see Board and Committee Membership Compensation Committee. In addition, the Compensation Committee has utilized an independent compensation consultant for many years, and engaged Cook & Co. as its independent compensation consultant for 2012. Cook & Co. has been engaged by the Compensation Committee since spring 2010.

Cook & Co. works directly for the Compensation Committee, and, pursuant to Company policy, is prohibited from providing any consulting or other services to Kellogg or our executive officers other than the work performed on behalf of the Compensation Committee or the Board. The Committee has considered the independence of Cook & Co. in light of SEC rules and NYSE listing standards. In connection with this process, the Committee has reviewed, among other items, a letter from Cook & Co. addressing the independence of Cook & Co. and the members of the consulting team serving the Committee, including the following factors: (i) other services provided to us by Cook & Co., (ii) fees paid by us as a percentage of Cook & Co. s total revenue, (iii) policies or procedures of Cook & Co. that are designed to prevent conflicts of interest, (iv) any business or personal relationships between the senior advisor of the consulting team with a member of the Committee, (v) any Company stock owned by the senior advisor or any member of his immediate family, and (vi) any business or personal relationships between our executive officers and the senior advisor. The Committee discussed these considerations and concluded that the work performed by Cook & Co. and its senior advisor involved in the engagement did not raise any conflict of interest.

Peer Group. We benchmark ourselves against comparable companies (our compensation peer group) to ensure that our executive officer compensation is competitive in the marketplace. The Compensation Committee uses peer group data to benchmark our compensation with respect to base salary, target annual and long-term incentives and total compensation. For 2012, our compensation peer group was comprised of the following branded consumer products companies:

Campbell Soup Co.	General Mills, Inc.	McDonald s Corp.
Clorox Co.	The Hershey Co.	NIKE, Inc.
The Coca-Cola Co.	H.J. Heinz Co.	PepsiCo Inc.
Colgate-Palmolive Co.	Hormel Foods Corp.	Sara Lee Corporation*
ConAgra Foods, Inc.	Kimberly-Clark Corporation	Whirlpool Corp.
Dr. Pepper Snapple Group Inc.	Kraft Foods Inc.*	Yum! Brands, Inc.
Estee Lauder Companies, Inc.	Mattel, Inc.	

* Our 2013 peer group was impacted by recent corporate transactions at these companies, described more fully below.

The compensation committee determines the compensation peer group taking into account input from the independent compensation consultant. Our independent compensation consultant s viewpoints are based on objective screening criteria for a variety of factors. The Compensation Committee considers a variety of criteria to determine our peer group, including companies that (i) are in the same or similar lines of business,

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(ii) compete for the same customers with similar products and services, (iii) have comparable financial characteristics that investors view similarly, (iv) consider Kellogg a peer, (v) ISS considers Kellogg s peers, and (vi) are within a reasonable range in terms of percentile rank of Kellogg for key financial metrics such as revenue, pre-tax income, total assets, total equity, total employees, market capitalization, and composite percentile rank.

For 2013, our compensation peer group was changed due to two significant corporate transactions occurring during 2012. First, former Kraft Foods Inc. was replaced with its two successor entities, Kraft Foods Group and Mondelēz International. Second, Sara Lee, which is now named Hillshire Brands, was removed from the group due to no longer meeting our objective size screening criteria. These changes continue to position Kellogg in the median range of the comparison companies in various measures of company size. We believe that our compensation peer group is representative of the market in which we compete for talent. The size of the group has been established so as to provide sufficient benchmarking data across the range of senior positions in Kellogg. Our compensation peer group companies were chosen because of their leadership positions in branded consumer products and their overall relevance to Kellogg. The quality of these organizations has allowed Kellogg to maintain a high level of continuity in the peer group, providing a consistent measure for benchmarking compensation.

The composition of our compensation peer group has changed over time based on market events such as mergers and other business combinations. Consequently, the Compensation Committee periodically reviews the compensation peer group to confirm that it continues to be an appropriate benchmark for our program.

50th Percentile. All components of our executive compensation package are targeted at the 50th percentile of our compensation peer group. We believe targeting the 50th percentile allows Kellogg to recruit the best talent for the organization, while providing a good balance between paying for performance and controlling our compensation expense. Once we set compensation at the 50th percentile, actual pay will depend largely upon Kellogg s performance versus our performance peer group. Again, the design drives pay for performance. Our 2012 performance peer group consists of food companies in the broader compensation peer group (Campbell Soup Co., ConAgra Foods, Inc., General Mills, Inc., H.J. Heinz Co., The Hershey Co., Kraft Foods, Inc., PepsiCo Inc. and Sara Lee Corporation), plus Unilever N.V. and Nestlé S.A. The performance peer companies were chosen because they most closely compete with Kellogg in the consumer marketplace and for investors dollars, and face similar business dynamics and challenges.

Process. Each year, the Compensation Committee follows a consistent, rigorous process to determine compensation for the NEOs and other senior executives. The following process occurs during several meetings over several months.

- The independent compensation consultant presents the Compensation Committee with relevant compensation information such as a market assessment, peer group benchmarking data, information about other relevant market practices, and emerging trends.

- The independent consultant makes recommendations to the Compensation Committee regarding target levels for total compensation and each pay element for each NEO.

- The CEO makes recommendations to the Compensation Committee regarding the performance and compensation for each NEO (other than himself).

- The Compensation Committee reviews the information provided by the independent compensation consultant and the compensation recommendations at regular meeting and in Executive Session.

- Based on its review of peer group information, individual performance, input from the independent compensation consultant and other factors, the Compensation Committee makes recommendations to the full Board regarding the compensation for the CEO and the other NEOs.

- The independent members of the Board, meeting in executive session, determine the compensation of the CEO. The full Board determines the compensation of the other NEOs (unless an NEO is also a Director in which case the NEO abstains from the

determination of their own compensation).

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Verification Tools. The Compensation Committee utilizes several tools to help verify that the design of our program is consistent with our Core Principles and that the amount of compensation is within appropriate competitive parameters. For example, each year, the Compensation Committee reviews pay tallies , which includes a detailed analysis of each NEO s target and actual annual cash compensation, equity awards, retirement benefits, perquisites, change-in-control and severance payments. The Compensation Committee also reviews wealth accumulation, which includes the projected value of each NEO s current and expected equity awards and retirement benefits. This analysis describes the amount of compensation each NEO has accumulated to date. In connection with this review, no unintended consequences of the compensation program design were discovered. In addition, the Compensation Committee concluded that the total compensation of the NEOs aligns pay with performance and is appropriate and reasonable. In addition, our Compensation Committee uses a key financial metric, total shareowner return, as a tool to verify our pay for performance connection.

IV. Compensation Plans and Design. NEO compensation includes a combination of annual cash and long-term incentive compensation. Annual cash compensation for NEOs is comprised of base salary and the AIP. Long-term incentives consist of stock option grants and three-year EPP.

Total Compensation. The target for total compensation and each element of total compensation is the 50th percentile of our compensation peer group. In setting the compensation for each NEO, the Compensation Committee considers individual performance, experience in the role and contributions to achieving our business strategy. We apply the same Core Principles and Compensation Approach in determining the compensation for all of our NEOs, including the CEO. The Compensation Committee also exercises appropriate business judgment in how it applies the standard approaches to the facts and circumstances associated with each NEO.

At the time we set compensation, actual compensation percentiles for the preceding fiscal year are not available. So, we are unable to compare actual to target compensation on a percentile basis for our NEOs because of timing. The companies in our compensation peer group do not all report actual compensation on the same twelve month basis. Even if this information were available we do not believe it would provide Shareowners with a fair understanding of our executive compensation program because actual compensation can be impacted by a variety of factors, including changes in stock prices, company performance and vesting of retirement benefits.

Key elements of our 2012 NEO compensation program are as follows.

Element	Purpose	Characteristics
Base Salaries	Compensates executives for their level of responsibility and sustained individual performance. Also, helps attract and retain strong talent.	Fixed component; evaluated annually
Annual Incentives **(AIP)**	Promotes achieving our annual corporate and business unit financial goals, as well as people safety, food safety and diversity and inclusion.	Performance-based cash opportunity; amount varies based on company and business results, and individual performance.
Long-Term Incentives **(EPP and Options)**	Promotes (a) achieving our long-term corporate financial goals through the Executive Performance Plan and (b) stock price appreciation through stock options.	Performance-based equity opportunity; amounts earned/realized will vary from the targeted grant-date fair value based on actual financial and stock price performance.
Retirement Plans	Provides an appropriate level of replacement income upon retirement. Also, provides an incentive for a long-term career with Kellogg, which is a key objective.	Fixed component; however, contributions tied to pay vary based on performance.
Post-Termination Compensation	Facilitates attracting and retaining high caliber executives in a competitive labor market in which formal severance plans are common.	Contingent component; only payable if the executive s employment is terminated under certain circumstances.

Base Salaries. Base salaries for NEOs are targeted at the 50th percentile of the compensation peer group, and are set based on an NEO s experience, proficiency, and sustained performance in role. The Compensation Committee judged each NEO s base salary for 2012 to be appropriately positioned relative to the 50th percentile based on this analysis. Annually, the Compensation Committee evaluates whether to award base salary merit increases, including considering changes in an NEO s role and/or responsibility. In 2012, the Compensation Committee increased Mr. Bryant s salary by 7.7% to bring his salary more in line with the 50th percentile consistent with his experience and performance.

Annual Incentives. Annual incentive awards to the NEOs are paid under the terms of the Kellogg Senior Executive Annual Incentive Plan (AIP), which was approved by the Shareowners and is administered by the Compensation Committee. Awards granted to NEOs under the terms of the AIP are designed to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The Compensation Committee uses a judgment-based methodology in exercising negative discretion to determine the actual payout for each NEO in accordance with Section 162(m). As part of this methodology, at the beginning of fiscal 2012, the Compensation Committee established for each NEO annual incentive opportunities as a percentage of an executive s base salary (AIP Target). The AIP targets for each NEO are based on the 50th percentile of the compensation peer group.

Each year, the Compensation Committee sets performance ranges (which we refer to as bandwidths) centered on targets for underlying operating profit, internal net sales, and cash flow to help determine what percentage of the AIP Target would be paid out to each NEO. The targets and bandwidths are based on our operating plan for the fiscal year and are designed to achieve our objectives for sustainable, dependable growth. Targets are then compared with the forecasted performance of the performance peer group to ensure that our operating plan targets are reasonable and sufficiently challenging relative to the forecasted performance for the

performance peer group. Operating plan targets generally fall within the median forecasted performance for the performance peer group with the maximum and minimum of the bandwidth falling within the top and bottom quartiles, respectively, of the performance peer group forecast. Consequently, actual performance above the forecasted median of the performance peer group would generally result in annual incentive payments above the target level, with payments at the maximum level being made for performance in the forecasted top quartile of the performance peer group. Conversely, performance below the median would generally result in annual incentive payments below the target level, with no payment being made for performance below a minimum threshold (generally set in the bottom quartile).

The actual percent of the AIP Target paid to our NEOs each year can range from 0% to 200% of the target opportunity, based primarily upon corporate performance against internal net sales, underlying operating profit, cash flow, safety and diversity. 90% of the target opportunity consists of underlying operating profit, internal net sales and cash flow performance and are weighted 50%, 30% and 20%. Safety and diversity comprise the remaining 10% of target opportunity. The Compensation Committee and management believe that by using these metrics Kellogg is encouraging profitable top line growth and cash generation for Shareowners.

Our measure of underlying operating profit excludes the impact of foreign currency translation, market-to-market adjustments, acquisitions, dispositions, and transaction and integration costs associated with the acquisition of Pringles. Internal net sales excludes the impact of changes in foreign currency exchange rates, acquisitions, dispositions and integration costs. For these reasons, underlying operating profit and internal net sales are not comparable to the GAAP measures of operating profit and net sales. In addition, the target performance goals for underlying operating profit and internal net sales used in the AIP reflect certain budgeted assumptions relating to foreign currency exchange rates, acquisitions, dispositions and shipping day differences in our operating plan to facilitate year-to-year comparisons. Finally, we measure cash flow, another non-GAAP measure, by reducing operating cash flow by an amount equal to Kellogg s capital expenditures. Consequently, results reported in our financial statements may differ from performance against our AIP goals.

In addition to operating results, each NEO is held accountable for the achieving annual goals set at the start of the fiscal year relating to current organizational capabilities and future organizational requirements. Consistent with our commitment to a balanced approach between individual performance and adherence to our Core Principles, each NEO s performance is assessed both against his level of individual achievement against these agreed upon goals and the alignment of his behavior in achieving those goals with our core values. We refer to this as balancing the what and the how of individual performance.

For 2012, the corporate target performance goal for internal net sales growth was 4.6%, underlying operating profit growth was 1.0%, and cash flow was $1.15 billion. The actual payout factor applied for each metric is calculated based on how 2012 results compared to each target performance goal. For 2012, our corporate performance fell short of the internal net sales growth target by 2.1%, underlying operating profit growth target by 6.7% and exceeded the cash flow target by approximately $75 million. Based solely on those results and the performance relating to people safety, food safety and diversity & inclusion, the AIP payout factor would have been 53% of the AIP Target. The Compensation Committee then considered the overall performance of Kellogg, particularly, the performance relating to the acquisition, closing, integration, and business delivery (after closing) of Pringles. Although Kellogg was involved in assessing, negotiating, financing and otherwise closing the transaction for several months, it was ultimately consummated on May 31, 2012. Consequently, the net sales and operating profit performance of Pringles was not included in the 2012 AIP plan since the terms of the plan were established at the beginning of the year.

The Pringles transaction was the second largest in Kellogg s history, was transformational for the business, and advances Kellogg s strategy of becoming a global snacks company. The acquisition required significant leadership and attention from practically every function and region within Kellogg, including each of the NEOs. For these reasons, the Committee considered Kellogg s performance relating to Pringles as it assessed the AIP payouts. The Committee considered a variety of factors, but only included in the AIP formula the net sales and operating profit over-delivery of the Pringles business in excess of internal goals established for that business at the time of the acquisition. As such, the over performance of Pringles compared to our internal goals was included in the 2012 payout in an objective and formulaic manner and was based on performance against two of

our key financial performance metrics, net sales and operating profit that would have resulted in an AIP payout factor of 70%. In addition, the Committee used its negative discretion to reduce the payout by 4% due to under spending on brand building compared to our expectation. Based on this assessment, the Compensation Committee determined that 66% of the AIP Target would be paid out to our NEOs for 2012.

As the Compensation Committee reviewed the overall performance of Kellogg compared to the peer group, Kellogg performed in the third and fourth quartiles for each financial metric, and Kellogg s Total Shareholder Return was in the second quartile. Based on these factors, the Compensation Committee concluded that the AIP payout factor reflected pay for performance across the year before taking individual performance into consideration. Based on Mr. Davidson s individual performance in 2012, the Compensation Committee awarded him an AIP amount equal to 81% of his AIP Target. The Compensation Committee considered a number of factors in assessing his individual performance including his leadership in improving Kellogg s business trends, particularly strong sales growth in North America. The Committee also noted Mr. Davidson s effectiveness in strengthening the organization through his direct engagement and leadership with our customers.

The chart below includes information about the 2012 AIP for each NEO.

	AIP Target		AIP Maximum	2012 AIP Payout (Paid in March 2013)	
	% of Base Salary(1)	**Amount($)**	**Amount($)**	**% of AIP Target**	**Amount of AIP Payout ($)(2)**
John Bryant	150%	1,650,000	3,300,000	66%	1,089,000
Ron Dissinger	90%	540,000	1,080,000	66%	356,400
Brad Davidson	100%	720,400	1,440,800	81%	583,600
Paul Norman	100%	686,800	1,373,600	66%	453,300
Gary Pilnick	85%	498,100	996,200	66%	328,800

(1) For AIP purposes, incentive opportunities are based on executives salary levels at the last day of the fiscal year (December 29, 2012 for the 2012 AIP). Annual salary increases typically become effective in April of each year.

(2) Based on Kellogg s performance and each NEO s individual performance, as described above.

Long-Term Incentives. Long-term incentives are provided to our executives under the 2009 Long-Term Incentive Plan (or LTIP), which was approved by Shareowners. These incentives are intended to promote achieving our long-term corporate financial goals and earnings growth. The LTIP allows for grants of stock options, stock appreciation rights, restricted shares and performance shares and units (such as Executive Performance Plan awards), and is intended to meet the deductibility requirements of Section 162(m) of the Internal Revenue Code as performance-based pay (resulting in paid awards being tax deductible to Kellogg). The total amount of long-term incentives for the NEOs (based on the grant date expected value) is targeted at the 50th percentile of the compensation peer group.

All of the 2012 long-term incentive opportunity for the NEOs was provided through equity-based awards, which the Compensation Committee believes best achieves several of the Core Principles, including Pay for Performance and Shareowner Alignment. For 2012, the Compensation Committee determined that the NEOs would receive 70% of their total long-term incentive opportunity in stock options and the remaining 30% in performance shares (granted under the Executive Performance Plan, as discussed below). The Compensation Committee established this mix of awards after considering our Core Principles, compensation peer group practices and cost implications.

Stock Options. The Compensation Committee believes stock options align NEOs with Shareowners because the options provide value to the NEO only if our stock price increases after the grants are made. Stock option awards for our NEOs are determined on a position-by-position basis using survey data for corresponding positions in our compensation peer group. Individual awards may vary from target levels based on the

individual s performance, ability to impact financial performance and future potential. The exercise price for the options is set at the closing trading price on the date of grant, options vest over three years, and are exercisable for ten years after grant, which further drives shareowner alignment by encouraging a focus on long-term growth and stock performance.

The options granted in 2012 vest and become exercisable in three equal annual installments with one-third vesting on February 17, 2013 (the first anniversary of the grant date), one-third vesting on February 17, 2014 (the second anniversary of the grant date) and the final third vesting on February 17, 2015 (the third anniversary of the grant date). The per-share exercise price for the stock options is $52.53, the closing trading price of Kellogg common stock on the date of the grant. Approximately 88% of the stock options covered by the 2012 grant were made to employees other than the NEOs. The number of stock options granted in 2012 is targeted at the 50th percentile of the compensation peer group.

Executive Performance Plan. The Executive Performance Plan (EPP) is a stock-based, pay for performance, multi-year incentive plan intended to focus senior management on achieving critical multi-year operational goals. These goals, such as internal net sales growth and internal operating profit, are designed to increase Shareowner value. Internal net sales and operating profit growth exclude the impact of acquisitions, divestitures, integration costs and the impact of currency. Approximately 150 of our most senior employees participate in the EPP, including the NEOs. Performance under EPP is measured over the three-year performance period based on performance levels set at the start of the period. Vested EPP awards are paid in Kellogg common stock.

2012-2014 EPP. Similar to the AIP, awards granted to NEOs under the terms of the EPP are designed to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. The Compensation Committee approves the targets and bandwidths for the 2012-2014 EPP in the same manner as the targets and bandwidths for the AIP. The bandwidths are based on our long-range operating plan, and are intended to be realistic and reasonable, but challenging, in order to drive sustainable growth.

The Compensation Committee and management believe that the metrics for the 2012-2014 EPP internal net sales growth and internal operating profit growth emphasize the importance of revenue and profit and are strongly linked to performance of Kellogg and Shareowner value. Similar to the AIP, once the Compensation Committee confirms the performance level delivered is at the level for which the NEOs are eligible to receive a payout under the EPP, the Compensation Committee uses a judgment-based methodology in exercising downward, negative discretion to determine the actual payout for each NEO. However, unlike the AIP, the Compensation Committee does not consider individual performance in determining payouts. The Compensation Committee weighs only company performance when determining actual payouts under the EPP.

The Compensation Committee sets each individual s target at 30% of his or her total long-term incentive opportunity. Participants in the EPP have the opportunity to earn between 0% and 200% of their EPP target, however, dividends are not paid on unvested EPP awards. For the 2012-2014 EPP, the corporate target performance goal for compound annual internal net sales growth is 3% and for compound annual internal operating profit growth is 5%. The 2012-2014 EPP cycle began on December 30, 2011 (first day of fiscal 2012) and concludes on January 3, 2015 (last day of fiscal 2014). The 2012-2014 EPP award opportunities, presented in number of potential shares that can be earned, are included in the Grant of Plan-Based Awards Table on page 44 of this proxy statement.

2010-2012 EPP. For the 2010-2012 EPP, the performance period ended on December 29, 2012 (the last day of fiscal 2012). In February 2013, after Kellogg s 2012 annual audited financial statements were completed, the Compensation Committee reviewed our performance versus the internal net sales growth and internal operating profit growth targets established in 2010 for purposes of Section 162(m). The Compensation Committee determined that the targets set for purposes of Section 162(m) had not been reached. Consequently, the NEOs did not receive any payout under the 2010-2012 EPP.

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The chart below includes information about 2010-2012 EPP opportunities and actual payouts:

	EPP Target Amount(#)	EPP Maximum Amount(#)	% of EPP Target	2010-2012 EPP Payout (paid in February 2013)	
				Amount(#)	Amount($)
John Bryant	16,100	32,200	0%	0	0
Ron Dissinger	6,000	12,000	0%	0	0
Brad Davidson	8,300	16,600	0%	0	0
Paul Norman	7,900	15,800	0%	0	0
Gary Pilnick	5,000	10,000	0%	0	0

Restricted Stock. We award restricted shares from time to time to selected executives and employees based on a variety of factors, including facilitating recruiting and retaining key executives. For NEOs and other senior executives, these restricted stock awards vest and become unrestricted after a three year post-grant holding period and contain non-compete, non-solicit, release of claims and other restrictive covenants. We made no restricted stock awards to our NEOs in 2012.

Post-Termination Compensation. The NEOs are covered by arrangements which specify payments in the event the executive s employment is terminated. These severance benefits, which are competitive with the compensation peer group and general industry practices, are payable if and only if the executive s employment is terminated without cause. The Kellogg Severance Benefit Plan Policy and the Change in Control Policy have been established primarily to attract and retain talented and experienced executives and further motivate them to contribute to our short- and long-term success for the benefit of our Shareowners. Kellogg s severance program is consistent with market practices, and cash severance for our current NEOs is payable in the amount of two times the current annual salary plus two times target annual incentive awards prior to separation. In addition, in 2011, the Compensation Committee reduced severance benefits for newly-named senior executives to more closely align with the 50th percentile of our compensation peer group. Cash severance for new CEO direct reports is now payable in the amount of two times the current annual salary. The potential severance amount no longer includes annual incentive awards for newly-named senior executives. Cash compensation following a change in control for our NEOs is payable in the amount of two times the current annual salary plus two times the highest annual incentive award during the three years before the change in control. For more information, please refer to Potential Post-Employment Payments, which begins on page 53 of this proxy statement.

Retirement Plans. Our CEO, CFO and other NEOs are eligible to participate in Kellogg-provided pension plans which provide benefits based on years of service and pay (salary plus annual incentive only) to a broad base of employees. The amount of an employee s compensation is an integral component of determining the benefits provided under pension and savings plan formulas, and thus, an individual s performance over time will influence the level of his or her retirement benefits. Amounts earned under long-term incentive programs such as EPP, gains from stock options and awards of restricted stock are not included when determining retirement benefits for any employee (including executives). In addition, we do not pay above-market interest rates on amounts deferred under our savings and investment plans. For more information, please refer to Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans, which begins on page 49 of this proxy statement.

Perquisites. The Compensation Committee believes that it has taken a conservative approach to perquisites. Pursuant to a policy adopted by the Board, our CEO is generally required, when practical, to use company aircraft for personal travel for security reasons. The only perquisite exclusive to CEO direct reports is an annual physical health exam. The Summary Compensation Table beginning on page 42 of this proxy statement contains itemized disclosure of all perquisites to our NEOs, regardless of amount.

Employee Stock Purchase Plan. We have a tax-qualified employee stock purchase plan that is made available to substantially all U.S. employees, which allows participants to acquire Kellogg stock at a discount price. The purpose of the plan is to encourage employees at all levels to purchase stock and become Shareowners. The plan allows participants to buy Kellogg stock at a 5% discount to the market price. Under

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applicable tax law, no plan participant may purchase more than $25,000 in market value (based on the market value of Kellogg stock on the last trading day prior to the beginning of the enrollment period for each subscription period) of Kellogg stock in any calendar year.

V. Executive Compensation Policies.

Executive Stock Ownership Guidelines. In order to preserve the linkage between the interests of senior executives and those of Shareowners, senior executives are expected to establish and maintain a significant level of direct stock ownership. This can be achieved in a variety of ways, including by retaining stock received upon exercise of options or the vesting of stock awards (including EPP awards), participating in the Employee Stock Purchase Plan and purchasing stock in the open market. The stock ownership requirement for our CEO and Executive Chairman is six times annual base salary. The stock ownership requirement for our other NEOs under our stock ownership guidelines is three times annual base salary. Our current stock ownership guidelines (minimum requirements) are as follows:

Chief Executive Officer and Executive Chairman	6x annual base salary
Global Leadership Team members (other than the CEO)	3x annual base salary
Other senior executives	2x annual base salary

These executives have five years from the date they first become subject to a particular level of the guidelines or from the date of a material increase in their base salary to meet them. All of our NEOs and other senior executives currently meet or are on track to meet their ownership guideline. The Compensation Committee reviews compliance with the guidelines on an annual basis. Executives who are not in compliance with the guidelines may not sell stock without prior approval from our Chief Executive Officer, except for stock sales used to fund the payment of taxes and transaction costs incurred in connection with the exercise of options and the vesting of stock awards.

Practices Regarding the Grant of Equity Awards. The Compensation Committee has generally followed a practice of making all option grants to executive officers on a single date each year. Prior to the relevant Compensation Committee meeting, the Compensation Committee reviews an overall stock option pool for all participating employees (approximately 3,500 in 2012) and recommendations for individual option grants to executives. Based on this review, the Compensation Committee approves the overall pool and the individual option grants to executives.

The Board grants these annual awards at its regularly-scheduled meeting in mid-February. The February meeting usually occurs within 2 or 3 weeks following our final earnings release for the previous fiscal year. We believe that it is appropriate that annual awards be made at a time when material information regarding our performance for the preceding year has been disclosed. We do not otherwise have any program, plan or practice to time annual option grants to our executives in coordination with the release of material non-public information. EPP Awards are granted at the same time as options.

While most of our option awards to NEOs have historically been made pursuant to our annual grant program, the Compensation Committee and Board retain the discretion to make additional awards of options or restricted stock to executives at other times for recruiting or retention purposes. We do not have any program, plan or practice to time off-cycle awards in coordination with the release of material non-public information.

All option awards made to our NEOs, or any of our other employees, are made pursuant to our LTIP. The exercise price of options under the LTIP is set at the closing trading price on the date of grant. We do not have any program, plan or practice of awarding options and setting the exercise price based on the stock s price on a date other than the grant date, and we do not have a practice of determining the exercise price of option grants by using average prices (or lowest prices) of our common stock in a period preceding, surrounding or following the grant date. All grants to NEOs are made by the Board itself and not pursuant to delegated authority. Pursuant to authority delegated by the Board and subject to the Compensation Committee-approved allocation, awards of options to employees below the executive level are made by our CEO or his delegates.

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Securities Trading Policy. Our securities trading policy prohibits our Directors, executives and other employees from engaging in any transaction in which they may profit from short-term speculative swings in the value of our securities. This includes short sales (selling borrowed securities which the seller hopes can be purchased at a lower price in the future) or short sales against the box (selling owned, but not delivered securities), put and call options (publicly available rights to sell or buy securities within a certain period of time at a specified price or the like) and hedging transactions, such as zero-cost collars and forward sale contracts. In addition, this policy is designed to ensure compliance with relevant SEC regulations, including insider trading rules.

Clawback Policies. We maintain clawback provisions relating to stock option exercises. Under these clawback provisions, if an executive voluntarily leaves our employment to work for a competitor within one year after any option exercise, then the executive must repay to Kellogg any gains realized from such exercise (but reduced by any tax withholding or tax obligations). Beginning with our stock option grants in 2009, we have expanded the scope of our clawback provisions. In the event of certain violations of Kellogg policy and, in the case of executive officers, misconduct causing a financial restatement, any gains realized from the exercise of stock options are now subject to recoupment depending on the facts and circumstances of the event. Furthermore, the Compensation Committee approved in February 2010 similar clawback provisions in Kellogg s AIP and EPP programs.

Deductibility of Compensation and Other Related Issues. Section 162(m) of the Internal Revenue Code includes potential limitations on the deductibility of compensation in excess of $1 million paid to the company s CEO and three other most highly compensated executive officers (other than our principal financial officer) serving on the last day of the year. Based on the regulations issued by the Internal Revenue Service, we believe we have taken the necessary actions to ensure the deductibility of payments under the AIP and with respect to stock options and performance shares granted under our plans, whenever possible. We intend to continue to take the necessary actions to maintain the deductibility of compensation resulting from these types of awards. In contrast, restricted stock granted under our plans generally does not qualify as performance-based compensation under Section 162(m). Therefore, the vesting of restricted stock in some cases will result in a loss of tax deductibility of compensation. While we view preserving tax deductibility as an important objective, we believe the primary purpose of our compensation program is to support our strategy and the long-term interests of our shareowners. In specific instances we have and in the future may authorize compensation arrangements that are not fully tax deductible but which promote other important objectives of Kellogg and of our executive compensation program.

We require any executive base salary above $950,000 (after pre-tax deductions for benefits and similar items) to be deferred into deferred stock units under our Executive Deferral Program. This policy ensures that all base salary will be deductible under Section 162(m) of the Internal Revenue Code. The deferred amounts are credited to an account in the form of units that are equivalent to the fair market value of our common stock. The units are payable in cash upon the executive s termination from employment. The only NEO affected by this policy in 2012 was Mr. Bryant who deferred $42,176 of his salary.

The Compensation Committee also reviews projections of the estimated accounting (pro forma expense) and tax impact of all material elements of the executive compensation program. Generally, accounting expense is accrued over the requisite service period of the particular pay element (generally equal to the performance period) and Kellogg realizes a tax deduction upon the payment to/realization by the executive.

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COMPENSATION COMMITTEE REPORT

As detailed in its charter, the Compensation Committee of the Board oversees our compensation program on behalf of the Board. In the performance of its oversight function, the Compensation Committee, among other things, reviewed and discussed with management the Compensation Discussion and Analysis set forth in this proxy statement.

Based upon the review and discussions referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012 and our proxy statement to be filed in connection with our 2013 Annual Meeting of Shareowners, each of which will be filed with the SEC.

COMPENSATION COMMITTEE

John Dillon, Chair

Gordon Gund

Ann McLaughlin Korologos

Rogelio Rebolledo

John Zabriskie

EXECUTIVE COMPENSATION

Summary Compensation Table.

The following narrative, tables and footnotes describe the total compensation earned during 2010, 2011 and 2012 by our NEOs. The total compensation presented below does not reflect the actual compensation received by our NEOs or the target compensation of our NEOs in 2010, 2011 and 2012. The actual value realized by our NEOs in 2012 from long-term incentives (options and 2009-2011 EPP) is presented in the Option Exercises and Stock Vested Table beginning on page 47 of this proxy statement. Target annual and long-term incentive awards for 2012 are presented in the Grants of Plan-Based Awards Table on page 44 of this proxy statement.

The individual components of the total compensation calculation reflected in the Summary Compensation Table are broken out below:

Salary. Base salary earned during 2012. Refer to Compensation Discussion and Analysis Compensation Plans and Design Base Salaries.

Bonus. We did not pay any discretionary bonuses to our NEOs in 2012. Each NEO earned an annual performance-based cash incentive under our AIP, as discussed below under Non-Equity Incentive Plan Compensation. Refer to Compensation Discussion and Analysis Compensation Plans and Design Annual Incentives.

Stock Awards. The awards disclosed under the heading Stock Awards consist of EPP awards and restricted stock awards. The dollar amounts for the awards represent the grant-date fair value calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 7 to the Consolidated Financial Statements included in our annual Report on Form 10-K for the year ended December 29, 2012. Details about the EPP awards granted in 2012 are included in the Grant of Plan-Based Awards Table below. Refer to Compensation Discussion and Analysis Compensation Plans and Design Long-Term Incentives for additional information. The grant-date fair value of the stock-based awards will likely vary from the actual amount the NEO receives. The actual value the NEO receives will depend on the number of shares earned and the price of our common stock when the shares vest.

Option Awards. The awards disclosed under the heading Option Awards consist of annual option grants (each an option). The dollar amounts for the awards represent the grant-date fair value calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 7 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2012. Details about the option awards made during 2012 are included in the Grant of Plan-Based Awards Table below. Refer to Compensation Discussion and Analysis Compensation Plans and Design Long-Term Incentives Stock Options for additional information. The grant-date fair value of the stock option awards will likely vary from the actual value the NEO receives. The actual value the NEO receives will depend on the number of shares exercised and the price of our common stock on the date exercised.

Non-Equity Incentive Plan Compensation. The amount of Non-Equity Incentive Plan Compensation consists of the Kellogg Senior Executive Annual Incentive Plan (AIP) awards granted and earned (if any) in 2012, 2011 and in 2010. At the outset of each year, the Compensation Committee grants AIP awards to the CEO, CFO and the other NEOs. Such awards are based on our performance each year and are paid in March following the completed year. For information on these awards refer to Compensation Discussion and Analysis Compensation Plans and Design Annual Incentives.

Change in Pension Value. The amounts disclosed under the heading Change in Pension Value and Non-Qualified Deferred Compensation Earnings represent the actuarial increase during 2012, 2011 and 2010 in the pension value provided under the pension plans. Kellogg does not pay above-market or preferential rates on non-qualified deferred compensation for employees, including the NEOs. A detailed narrative and tabular discussion about our pension plans and non-qualified deferred compensation plans, our contributions to our pension plans

and the estimated actuarial increase in the value of our pension plans are presented under the heading Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans.

All Other Compensation. Consistent with our emphasis on performance-based pay, perquisites and other compensation are limited in scope and in 2012 were primarily comprised of relocation costs, retirement benefit contributions and the cost of death benefits.

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SUMMARY COMPENSATION TABLE

It is important to note that the information required by the Summary Compensation Table does not necessarily reflect the target or actual compensation for our NEOs in 2012, 2011 and 2010.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(4)	All Other Compensation ($)(5)	Total ($)
John Bryant	2012	1,076,932	0	1,621,356	1,789,974	1,089,000	929,000	112,039	6,618,301
President and Chief Executive Officer	2011	1,000,012	0	1,482,848	2,316,594	1,093,500	635,000	67,159	6,595,113
(as of 1/2/2011)	2010	824,914	0	776,825	1,345,569	0	413,000	116,780	3,477,088
Ron Dissinger	2012	589,964	0	379,566	418,824	356,400	924,000	131,506	2,800,260
Senior Vice President and	2011	542,632	0	362,368	566,580 501,904	405,700	709,000	110,668	2,696,948
Chief Financial Officer	2010	492,612	0	289,500		0	345,000	72,076	1,701,092
Brad Davidson	2012	713,622	0	571,692	629,344	583,600	1,688,000	198,644	4,384,902
Senior Vice President Kellogg Company,	2011	686,640	0	519,712	809,970	559,800	1,299,000	161,838	4,036,960 2,820,445
President, Kellogg North America	2010	667,000	0	400,475	691,572	0	941,000	120,398	
Paul Norman	2012	679,314	0	492,030	541,812	453,300	1,318,000	1,390,726	4,875,182
Senior Vice President Kellogg Company,	2011	669,138	0	410,048	639,996	661,000	971,000	53,889	3,405,071
President, Kellogg International	2010	630,770	0	381,175	656,680	0	669,000	80,999	2,418,624
Gary Pilnick	2012	582,346	0	342,078	375,058	328,800	452,000	68,554	2,148,836
Senior Vice President, General Counsel,	2011	567,320	0	300,384	470,820	529,200	313,000	36,955	2,217,679
Corporate Development & Secretary	2010	554,310	0	821,280	419,596	0	209,000	64,390	2,068,576

(1) Reflects the grant-date fair value of stock awards calculated in accordance with FASB ASC Topic 718 for each NEO. Refer to Notes 1 and 7 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2012 for a discussion of the relevant assumptions used in calculating the fair value. The table below presents separately the grant-date fair value for our outstanding EPP awards and restricted stock awards:

		EPP ($)	Restricted Stock ($)	Total ($)
John Bryant	2012	1,621,356	0	1,621,356
	2011	1,482,848	0	1,482,848
	2010	776,825	0	776,825
Ron Dissinger	2012	379,566	0	379,566
	2011	362,368	0	362,368
	2010	289,500	0	289,500
Brad Davidson	2012	571,692	0	571,692
	2011	519,712		